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FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,100

Friday February 22 1980

***20p

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NEWS SUMMARY

GENERAL

Cut of 21% in public housing

Environment Secretary Michael Heseltine yesterday announced a 21 per cent cut in housing expenditure and further council-house rent increases for the coming year.

In the first of the Government's revised public spending programmes to be disclosed, £540m is to be cut from local authority housing programmes in England. There will be a 20 per cent reduction in the allocation for Scottish council housing.

Rents will increase in the second half of the year by an average of 60p a week.

Chancellor Sir Geoffrey Howe clearly indicated in the Commons that public sector borrowing would be held down in the coming financial year. Back Page, Parliament, Page 10

Hostage hardline

Iranian students holding the 50 hostages at the U.S. Embassy in Tehran dismissed as "foolish expectation" American hopes that the captives might be released before the deposed Shah could be returned to Iran. War for Khomenei's ear, Page 3

Kosygin hits out

Soviet Premier Alexei Kosygin, 76 yesterday, appeared in public for the first time since his heart attack last October. He made a fierce attack on the West, which he said was trying to undermine East-West détente.

Flood emergency

California Governor Jerry Brown has declared a state of emergency in the southern part of the U.S. state after flooding caused 16 deaths and damage in excess of \$100m. Page 4

No licence

The Commission on the Safety of Medicines decided not to grant a full product licence for the long-term contraceptive injection Depo-Provera manufactured by Upjohn.

Jenkins' plea

President of the European Commission, Roy Jenkins, is to make a personal appeal to President Giscard d'Estaing of France in an attempt to persuade the French Government to obey the European Courts of Justice over curbs on British lamb imports. Page 2

Award for Pilger

John Pilger of the Daily Mirror has been named Journalist of the Year in the British Press Awards for 1979 for his reports from Cambodia. Page 6

Republican quits

U.S. Republican Congressman Richard Kelly, who has admitted taking \$25,000 from FBI undercover agents in the Abcam inquiry, resigned from his party's policy-making caucus before it could expel him. Page 4

Ice gold

American Eric Heiden, 21, dressed in a golden suit, became the first man to win four speed skating gold medals in a single winter Olympic Games at Lake Placid, U.S.

Briefly...

All 13 people aboard a light aircraft were killed when it crashed while attempting an emergency landing at Sydney international airport, Australia.

India's two main non-communist opposition parties, whose split last year opened the way for Premier Indira Gandhi's return to power, are considering a merger.

China, which five years ago condemned classical music as bourgeois and reactionary, held a ceremony to mark the 170th anniversary of Chopin's birth.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

| RISER | FALLS |
|---------------------------------|---------------------------------|
| Treas. 12pc 1983-85 292 1/4 + 1 | Impala Platinum 324 + 14 |
| Courts (Fmshr.) A 85 + 5 | Pacific Copper 210 + 12 |
| De Vere Hotels 235 + 13 | Saint Helena 217 + 11 |
| Electrocomponents 520 + 13 | Sch. African Land 415 + 64 |
| Ferranti 506 + 8 | Western Holdings 239 + 11 |
| House of Fraser 135 + 4 | |
| Intl. Thomson 457 + 7 | Treas. 12pc 2008-09 285 1/2 + 1 |
| Morgan Edwards 138 + 15 | Al Ind. Products 24 - 1 |
| Savoy A 138 + 10 | Banker McConnell 250 - 5 |
| UDT 47 + 4 | Carrington Viyella 144 - 1 |
| Whitebreads 133 + 3 | Dole Electric 96 - 16 |
| Whitbread 301 + 7 | Dixor-Sirand 15 - 3 |
| Burmah Oil 228 + 6 | Foster Bros. 92 - 8 |
| Siebens (UK) 782 + 44 | Giffert Bros. 165 - 20 |
| Tricentrol 316 + 18 | GKN 250 - 5 |
| Barmby 95 + 8 | Metal Box 254 - 6 |
| Cons. Gold Fields 516 + 18 | Thermal Syndicate 108 - 4 |
| | Tootal 274 - 2 |

BUSINESS

Equities and gilts dull; £ firmer

● **EQUITIES** were dull, depressed by labour disputes, and the FT 30-share index shed 0.7 to close at 457.6. However, oil shares were firm and the Gold Mines index rose 13.9 to 341.0.

● **GILTS** were mixed with shorts making gains up to 1 although longs lost as much as 1/2 overshadowed by anticipation of new Government funding. The FT Government Securities Index eased 0.12 to 65.84.

● **STERLING** rose 75 points to \$2,267.0 (\$2,279.5) and the index rose to 72.8 (72.5). DOLLAR was unchanged against Japanese currency at ¥246 but eased to DM 1.7465 (DM 1.7475) and SwFr 1.6400 (SwFr 1.6430). Its index eased to 85.6 (85.7).

● **PARIS CALL MONEY** returned to the five-year peak of 132 1/2 per cent touched last December.

● **GOLD** rose \$30 to \$657.50 in London.

● **WALL STREET** was 7.34 lower at \$79.52 shortly before the close.

● **BRITISH GAS** Corporation and Mobil will recommend laying a \$2bn North Sea gas pipeline soon. Back and Page 8

● **CAPITAL SPENDING** by industry last year rose 4 per cent against 1978, but investment in manufacturing was static. Page 6

● **UK IMPORTS** from the USSR rose 20 per cent last year to \$338.9m from 1978's \$288.2m while exports to Russia fell to \$419m against 1978's \$423.1m. Page 4

● **FORD OF BRITAIN** has reached an agreement worth about £12m a year for the export of about 3,000 medium-weight trucks annually to India. Page 4

● **SHELL CHEMICALS** plans to raise the price of polypropylene by 10 per cent next month and warns of further price increases. Page 6

● **WESTLAND HELICOPTERS**, the military helicopter manufacturer, may enter the civil aviation market bringing it into competition with the big U.S. producers. Page 6

● **AI INDUSTRIAL** Products incurred a second-half loss in 1979 of £191,000 against a previous profit of £853,000 and the final dividend is being omitted. Pre-tax surplus for the year fell to £80,000 (£122m) due mainly to the engineering dispute. Page 18

● **GUTHEROFFUNGSHUETTE** Europe's largest mechanical engineering group, reports a 23.2 per cent increase in new orders to DM 7.2bn (£1.8bn) in the first six months of last year. Page 32

● **FIRESTONE TIRE** and Rubber, the second-largest U.S. tyre producer, reported a first-quarter loss of \$13.8m (\$6.08m) after foreign currency losses of \$16.6m due to Brazil's currency devaluation. Page 20

● **SIME DARBY**, the Malaysian multinational, has increased by 31.5 per cent its first-half pre-tax profits to 135.2m ringgit (£27.15m) from 111.3m ringgit previously. Page 22

S. Wales pit votes show growing opposition to strike

BY OUR LABOUR EDITOR

A call to miners in South Wales to strike from Monday in protest at job losses caused by the proposed rundown in the steel industry may be rejected, according to first reports from the coalfield, where voting is taking place.

Miners at a number of pits appeared unwilling to take action without approval either of their national executive committee or the TUC.

Area leaders of the National Union of Mineworkers called the strike to capitalise on the militancy of the steelworkers in their pay dispute.

They feared that if the steel pay strike was settled the protest against closures would go by the board.

Delegates from every colliery in the coalfield voted unanimously at a meeting on Wednesday to strike from Monday.

They fear that British Steel Corporation plans to cut 11,300 jobs at the Llanwern and Port Talbot steelworks by August which will hit the coalfield very seriously.

But more than a quarter of the pits in the coalfield there was an overwhelming "No" vote to the strike call.

At Cynheidre Colliery, near Llanelli, Dyfed, one of the biggest pits in South Wales, Mr. Glen Morgan, miners' lodge vice-chairman, admitted that the leaders' recommendation was rejected overwhelmingly.

"Nobody wants a strike. The leadership are out of touch with the membership," he said.

At least 10 pits are believed

to have rejected the strike proposal, though some more militant collieries, among them those losing most money and facing closure, will not vote until tomorrow.

NUM officials will announce whether the strike is to go ahead when all votes have been counted early in the afternoon.

Mr. Jack Pugsley, lodge secretary of Nantgarw Colliery near Treafrore, Mid-Glamorgan, said: "We were prepared to join a strike approved by the TUC, but not to be pushed into going it alone. Our men are very angry."

Miners' leaders bitterly attacked the National Coal Board for "gross interference" in union affairs.

They said that managers had attempted to force pits to bring forward their meetings and had been passing on results from one colliery to another in an effort to swing the vote.

Labour News Page 10

NEW 21.4% WATER OFFER

Water authority employers yesterday improved their pay offer to 33,000 manual workers in the supply and sewerage industry by putting forward a package worth 21.4 per cent. Back Page

Employment Secretary James Prior hinted at future legislation on legally enforceable contracts which would enable employers to pay higher wages in return for two or three years of guaranteed production. Page 10

EEC offers three-way talks on steel dispute

BY ROBIN REEVES AND GILES MERRITT IN BRUSSELS

THE EUROPEAN Commission last night stepped into the UK steel dispute with a proposal for three-way discussions in Brussels during the coming weeks between itself, the British Steel Corporation and the steel unions.

The commission's initiative came at the end of a day during which British steel problems had dominated a public hearing by a European Parliament committee, attended by BSC top management and senior TUC leaders. This was followed by private discussions between the two parties and the commission.

The commission's proposals for fresh talks on the speed and scale of BSC's plan to cut 52,000 jobs by the end of August followed criticism inside the commission of the time scale.

Mr. Len Murray, TUC general

secretary, said he had warned Viscount Etienne Davignon, the Industry Commissioner, and Mr. Henk Vredeling, the Social Affairs Commissioner, that the present BSC redundancy programme could create political instability in Britain.

He repeated earlier warnings of "big trouble" from the union movement unless the plan was watered down.

Mr. Murray said the commission had indicated to him that three years would be a more reasonable timetable for restructuring on such a scale.

Mr. Bob Scholey, BSC's chief executive, was unenthusiastic about the commission's proposal, although he did not dismiss it out of hand. He said he could not see what light a third party could cast on a well-known problem. If BSC did not quickly improve its competitiveness, even more jobs would

disappear.

Exact details of the commission's plan to defuse the dispute before BSC's March 31 deadline for settling the redundancies issue are still being worked out. It is understood, though, that the commission does not envisage a round-table conference but rather a series of dialogues between itself and each of the two parties.

As a first step, the commission is to ask the British Government for a comprehensive memorandum on the proposed rundown.

The commission's authority as an arbitrator is being strengthened by suggestions that it could dramatically boost Community aid to the UK steel industry.

Mr. Vredeling is understood to be considering use of the "open-endedness" of certain

Continued on Back Page

Iran road contract threatened

BY RAY MAUGHAN

BATH AND PORTLAND, the civil engineering group, is threatening to end its £100m road contract in Iran. After talks with the Export Credits Guarantee Department, the group will not allocate further resources to the job.

Sir Kenneth Selby, chairman, said yesterday: "We are advised that we have valid grounds for terminating the contract now and for obtaining full damages from the client (the Iranian Ministry of Roads)."

Should the client not pay when claims are validated these would fall upon the ECGD."

The ECGD has covered 90 per cent of the value of the contract.

A letter to Tehran asks the

Ministry to bring all payments up to date forthwith and meet its other contractual obligations, "otherwise we shall not be able to complete the work."

Bath and Portland is one of the largest employers of British nationals in Iran with a UK staff of 50. The contract to build a major 180-mile road through Baluchistan was started in the autumn of 1975 but work was suspended in February 1978 and stage payments fell into arrears.

The group was urged to restart in April last year, when it was owed £18m on work completed and employed assets of £37m in Iran.

Sir Kenneth said: "To this day vital payments of foreign

currency due prior to the revolution have not been received and accordingly we have never been able to mobilise to the extent necessary to complete the job in a reasonable period."

The total cost of interest on the financial support received from ECGD in the year ending October 31 last year was £2.5m when minimum lending rate varied from 10 to 14 per cent.

Sir Kenneth said that since then MLR has risen to 17 per cent and the total interest charge has climbed to about £3m. Group profits for the year fell from £5.17m to £2.76m before tax.

Company results, Page 18

Lex, Back Page

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U.S. hint of higher tariff on UK trade

BY REGINALD DALE

THE U.S. does not rule out the imposition of higher tariffs on British goods in retaliation for the UK's curbs on imports of American synthetic fibres, Mr. Reubin Askew, the U.S. Special Trade Representative, said in London yesterday.

U.S.-EEC consultations on the Anglo-American trade dispute over synthetic fibres will start in Brussels in two weeks' time, Mr. Askew said, after talks with Mr. John Nott, the Trade Secretary.

He hoped the consultations would result in the U.S. being satisfactorily compensated for the latest British import curbs, as provided for under the General Agreement on Tariffs and Trade.

If compensation could not be agreed, however, the U.S. would have the right to impose new duties on British exports in retaliation. "I am not suggesting we should increase our levies, but I am not precluding it either," he said.

The U.S. was determined to assert its rights under GATT, and the British action "will cost them." Negotiated compensation would normally take the form of easier access to the UK market for other types of American exports.

Mr. Askew said he was not only concerned at the impact on U.S. exports of the British quotas on polyester filament and nylon carpet yarn, authorised by the EEC Commission earlier this week. He was particularly concerned at the way they had been introduced, effectively hitting only the U.S., Canada and Japan.

The consultations would also have to satisfy Washington on this aspect, thus raising an issue that has long been a bone of contention between the EEC and the U.S. While the commission argues that existing GATT rules allow safeguard action against selected countries the U.S. maintains that they do not.

Mr. Askew pointed out that the GATT article used to justify the British quotas, Article 19, was not the one normally used by injured parties seeking to protect themselves against subsidised exports. Britain has complained that the artificially low prices of American oil and gas feed stocks effectively constitute a subsidy on synthetic fibre exports.

Controlled oil and gas prices accounted for a factor of only 2 or 3 per cent in the pricing of American synthetic exports, Mr. Askew claimed. Most of the

Continued on Back Page

HIGH COMMISSIONERS SEEK MEETING WITH CARRINGTON

UK warning to keep out of Rhodesia

BY MICHAEL HOLMAN IN SALISBURY AND MARK WEBSTER IN LONDON

BRITAIN SHOWED its growing concern yesterday at what might happen after next week's elections in Rhodesia by warning against outside intervention in the event of a breakdown in law and order.

The Government also sought assurances that the guerrilla commanders confine their armies to their assembly points after the elections result was announced.

Both moves came as a group of more than 30 Commonwealth high commissioners meeting in London said there was now a "crisis of confidence" over Britain's handling of the Rhodesia issue.

They complained that the British administration of Lord Soames was actively discriminating against Mr. Robert Mugabe's ZANU (PF) party.

The group is trying to arrange a meeting with Lord Carrington, the Foreign Secretary, so as to "restore a balance" between the parties in the country.

The Foreign Office warning on foreign intervention followed reports that South Africa was considering military action if a potentially new government got into power in Salisbury.

The Government's warning is apparently designed to quieten fears that there is a conspiracy between South Africa and the West to keep Mr. Mugabe out of power.

Britain is devoting much of its energies to securing stability in Rhodesia once the elections results are announced so that the new government can take over peacefully and the 1,500 strong Commonwealth monitoring force can be withdrawn.

Reports in the South African Press about military intervention in Rhodesia—apparently carefully leaked by officials—have renewed fears that Pretoria is not prepared to see a potentially hostile government in Salisbury and will make it harder for the British to reach agreement with the guerrilla leaders over their conduct after the elections.

In Salisbury, an aide to Lord Soames, Mr. Nicholas Fenn, said he expected both Mr. Mugabe and Mr. Joshua Nkomo to order their 22,000 men now assembled in designated areas within the country to stay there after the

election result has been declared.

The Rhodesian forces and the guerrilla armies are mutually suspicious about the other's intentions, when election polling ends on February 29. The highly-armed detachments of the Commonwealth monitoring force posted in the 14 assembly places around Rhodesia are faced with the possibility of being caught between the two antagonists if they stay, or withdraw leaving behind uncertainty.

Mr. Fenn said last night that Lord Soames was "in touch with the commanders of both ZANLA and ZIPRA" the armies loyal to Mr. Mugabe and Mr. Nkomo.

"It is the Governor's view," he continued, "that the commanders of both forces should issue unmistakable orders to their assembled forces to stay there. It is our expectation that this will happen."

Mr. Fenn gave no details of the contacts, and nor would he be specific about the length of time the guerrillas would be expected to remain at the assembly places.

"They will be responsible to the new government when it is formed — there is no terminal date attached to that."

Meanwhile, Rhodesian police have dropped charges against the former Rhodesian Premier, Mr. Garfield Todd and Mr. Justin Nyoka, a spokesman for ZANU-PP.

Mr. Todd was charged earlier this month with "assisting a terrorist." The Attorney-General announced that the matter was being dropped following Mr. Todd's explanation of the incident. Mr. Nyoka appeared in Court yesterday after being held overnight and was charged with making inflammatory statements at a public rally. A police spokesman last night said it had been a case of mistaken identity.

Men and Matters, Page 16

£ in New York

| | Feb. 20 | Previous |
|---------|--------------|--------------|
| Spot | \$2,278.5795 | \$2,276.0770 |
| 1 mth | 0.50-0.45 | 0.38-0.35 |
| 3 mths | 1.27-1.25 | 1.30-1.25 |
| 12 mths | 3.25-3.10 | 3.22-3.12 |

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EUROPEAN NEWS

Kosygin appears in public after four-month absence

BY DAVID SATTER IN MOSCOW

THE SOVIET Prime Minister, Mr. Alexei Kosygin, appeared in public yesterday for the first time in more than four months when he attended an election meeting in the Bolshoi theatre. He is believed to have suffered a severe heart attack in mid-October.

The 76-year-old Soviet leader, looking thin and slightly wobbly on television, spoke for 45 minutes before voters from the Frunze constituency in Moscow. Traces of prolonged illness were apparent in his appearance. His delivery had lost some of its force and his voice occasionally wavered and almost broke.

In his speech, Mr. Kosygin blamed the "belligerent policy of the imperialist forces" for the present crisis in East-West relations and said that the Soviet Union would not allow a change in the equilibrium of forces in the world. It would

devote undivided attention to its defence capacity.

Mr. Kosygin accused the United States of being ready to declare any part of the world a sphere of its "vital interests" as though "the United Nations charter, international law or state sovereignty did not exist at all."

Mr. Kosygin has been replaced during his long absence by Mr. Nikolai Tikhonov, the first Deputy Prime Minister, who was promoted to full membership in the ruling Politburo shortly after Mr. Kosygin fell ill. Mr. Tikhonov is 74.

No official explanation has been given for Mr. Kosygin's absence and the Soviet Press continued to publish messages from him to foreign leaders. It is not known whether Mr. Kosygin will resume his previous duties as supreme manager of the Soviet economy.



Mr. Kosygin: speech to election meeting

Vance fails to persuade French

By Terry Dodsworth in Paris

AFTER THREE HOURS of talks yesterday Mr. Cyrus Vance, the U.S. Secretary of State, was unable to persuade the French Government to modify its opposition to boycott the Moscow Olympics.

Following the discussions with M. Jean Francois-Poncet, the French Foreign Minister, Mr. Vance said there had been substantial agreement on the origin of the problems raised by the Soviet invasion of Afghanistan. There was also a similarity of views on the objectives of the two countries in resolving the crisis.

But in an apparent reference to the American proposals for the boycott and tougher economic sanctions against the Soviet Union, he said differences remained "on the actions to be taken in response to the problem." The French Government considered such measures would result in a strengthening of the Soviet position.

No agreement

While the EEC proposals for a neutral Afghanistan were discussed, no specific agreement was reached, according to French officials. Nearly all shops and stores in Kabul were closed yesterday in the most spectacular protest so far against the Russian military occupation of Afghanistan, Reuters reports.

The shopkeepers obeyed a rebel leaflet urging them to show their "unanimous condemnation" of the invasion by paralysing the commercial life of the city of 1m people, despite frantic efforts to force them to stay open.

Broken off

Queen Juliana broke off her winter holiday in Austria to meet Mr. van Agt in Zurich to discuss the situation. They both then flew back to the Netherlands yesterday afternoon. The Queen's announcement of her plan to abdicate in April means that Crown Princess Beatrix might be faced immediately with overseeing lengthy negotiations over a new coalition.

It could take months before a new government was well enough established to tackle the Netherlands' worsening economic position. Both governing parties have good reason for wanting the present administration to stay in office. Recent public opinion polls have shown that, for the first time, the Labour party and the smaller Democratic 66 party could form a majority in Parliament.

Air controllers strike challenge to Lisbon

THE strike by Portugal's air traffic controllers has highlighted the difficulties of the Government in holding down wages, writes Jimmy Burns in Lisbon. The controllers are insisting their increases be backdated 12 months because of delays in reaching a settlement before the end of last year. They also want a shorter working week.

The strike is affecting some 250 flights a day and is having serious effects on tourism and on Air Portugal's national airline which is believed to be losing \$460,000 a day.

CHRISTIAN DEMOCRATS BAR DOOR TO COMMUNISTS

Italian ruling party swings to right

BY RUPERT CORNWELL IN ROME

WITH A decision to bar the doors of government to the Communists, Italy's ruling Christian Democrats have taken an important move towards the right at their national congress here, and further narrowed the options for a resolution of the country's political deadlock.

The veto is contained in a preamble to an otherwise inconclusive document winding up the congress yesterday. It is above all a clear defeat for the party's reformist wing, led by Sig. Benigno Zaccagnini, the outgoing secretary, and Sig. Giulio Andreotti, the ex-Prime Minister, which was ready to contemplate an emergency government with the Communists.

In the final vote, the group only commanded 43 per cent of support, against 57 per cent for

a centre-right "cartel" embracing Sig. Flaminio Piccoli, the party president and a leader of the centrist "Dorotei" faction, former Premier Colombo and Sig. Amintore Fanfani, president of the Senate and the driving force behind the anti-Communist lobby.

The key passage of the preamble supports the notion of national solidarity between all parties, but explicitly rules out in advance any question of Communist ministers in the Italian Cabinet, on the grounds of both national and international considerations. And although the majority endorsing it was put together by the traditional means of horse-trading and backroom dealing, its content is in fact a faithful reflection of the manifest anti-Communist mood of the congress.

The rejection of the Zaccagnini-Andreotti line will have far-reaching consequences. In the first place serious doubt must now surround the prospect of all-party talks, including the Communists, to work out a more stable political arrangement.

Attention now switches back to the divided Socialist Party, on whose abstention in Parliament the fragile Government of Sig. Francesco Cossiga depends to survive. The Socialists had reached an apparently uneasy compromise among themselves to cut off this lifeline once the Christian Democrat congress had ended. But a decision on whether to do so risks reopening the split between the Socialist right and its left wing, which is insistent that the Communists must be brought into government.

If the Christian Democrats

cannot do a deal with the Socialists—on the face of it unlikely—the threat of an early general election would loom large. The main obstacle indeed is only the reluctance of politicians to call a new poll, one year after the last, which probably would be inconclusive.

These circumstances lead many observers to believe that the politicians, faced with an apparent stalemate, will again postpone the moment of truth, perhaps until after the regional elections due this spring.

In the meantime, the outcome of the congress has enhanced the prospects of Sig. Piccoli being chosen as party secretary at the first session of the Christian Democrats National Council, to be held in the next three weeks. His replacement as president could be Sig. Andreotti.

Commission skirts oil levy issue

BY JOHN WYLES IN PARIS

THE COMMISSION of the European Community is backing away from taking an early decision on whether to propose a levy on oil imports.

After discussions this week, the 13-member Commission has agreed to prepare a paper for the Heads of Government meeting in Brussels at the end of March which will focus more on the basic requirements of a Community energy policy and on possible programmes.

But the question of how Brussels should raise money for energy conservation and developing alternative energy sources will not be tackled for

the time being. The Commission hopes that if member countries can be persuaded of the positive benefits of a Community-wide effort on energy, they will be more ready to take difficult decisions on how the policy should be financed.

Examination of the funding problem within the Commission is highlighting a number of difficulties. An oil import levy, for example, would almost certainly fall foul of the Community's commitments under the General Agreement on Tariffs and Trade and might provoke a reaction from Middle East oil producers.

There has been some talk this week on the possibility of coupling a levy with some form of consumption tax in each member state to drive home the EEC's commitment to conservation.

This and other ideas will be presented as options for the Heads of Government to consider. They will be related to a proposal that the EEC's sole oil producer, should impose a new production tax on North Sea producers so that they do not gain from the fact that the Community oil price, boosted by an import levy, would be higher than the world price.

Jenkins plea to Giscard on lamb

BY MARGARET VAN HATTEN IN BRUSSELS

MR. ROY JENKINS, president of the European Commission, is making a personal appeal to President Giscard d'Estaing in an attempt to get France to obey the rulings of the European Court of Justice on the lamb issue. Mr. Jenkins' move follows an abortive appeal by Chancellor Helmut Schmidt of West Germany during his talks with the French President earlier this month.

A secret letter to M. Giscard was being drafted by Mr. Jenkins' aides here yesterday after his fellow Commissioners had decided on Wednesday to postpone further legal action against illegal French curbs on British lamb imports.

The Commission had been expected, on the basis of public assurances from Mr. Finn Olav

Gundelach, the Farm Commissioner, to seek an interim injunction from the court against France.

Following a discussion of the issue by the British Cabinet yesterday, Mr. Peter Walker, the UK Agriculture Minister, said he was "very surprised and disappointed" to learn of the Commission's decision to postpone legal action, particularly in the light of personal assurances he had received from Mr. Gundelach on Monday.

He said the Commission's action contrasted sharply with its promptness in taking out an interim injunction against British pigmeat subsidies in January 1977.

Mr. Jenkins' support for the Court



W. German plastics optimistic on growth

By Kevin Done in Frankfurt

WEST GERMANY'S plastics processing industry expects further solid growth this year despite fears about rising material prices and early signs that some plastics consumers are switching back to traditional materials because of rising prices.

Total sales of plastics products grew by 8 per cent in real terms last year to nearly DM25bn (£6.25bn), and the industry is confident that sales will show a further real expansion of some 6 per cent this year.

Plastics processing plays a large role in the West German economy as some traditional heavy industries, such as mining, but, in contrast to older manufacturing sectors, it consists of a very large number of small and medium-sized companies.

The plastics federation said yesterday that general profitability improved markedly last year (the return on sales is estimated at 5.5-6 per cent compared with an average 4.8 per cent for the previous five years) but the smaller companies did not share in this improvement.

These are suffering from falling profits, lower investment and inability to recover the rising costs of labour and raw materials. The industry's workforce grew last year by 6.9 per cent to 207,200.

A strong attack has been launched on raw materials suppliers, the major chemicals companies, which they accuse of raising prices far above the corresponding rises in oil and basic petrochemicals.

The plastics federation said yesterday that since September 1978, the prices of most of their raw materials had risen by 60-84 per cent, while the prices of some materials had more than doubled.

Sales by the plastics processing industry showed a nominal rise of more than 20 per cent last year, but companies complained that, with a real sales increase of 8 per cent, they had managed to pass on only a limited part of the raw materials cost increases.

Herr Ludwig Eberhardt, chairman of the federation, said yesterday that there were already signs of some consumer industries switching away from plastics to traditional materials, such as paper and metals.

This trend is not yet causing too much concern, however, as the plastics industry is confident that general rises in energy prices will also boost prices of other raw materials such as paper, board, glass and metals.

A majority of companies in the industry report order books above, or at the same level as, 12 months ago and capital investment is still showing a rising trend with expenditure expected to total more than DM 1.5bn this year.

Finance Minister's resignation jolts Netherlands coalition

BY CHARLES BATCHELOR IN THE HAGUE

THE CRISIS facing the Netherlands' two-party coalition Government has blown up at a time when Prime Minister Dries van Agt's Administration appeared to be firmly in the saddle. Within two months of his skilful piloting of his government through a series of tough parliamentary debates over NATO's nuclear modernisation plan, economic difficulties have disrupted the calm.

Mr. Frans Andriessen, the Finance Minister, offered his resignation on Wednesday after the Cabinet failed to approve his plan to cut F1.4bn (£900m) off public spending estimates this year. Instead it agreed a programme believed to entail spending cuts of F1.3bn. This figure was a compromise between Mr. Andriessen's demands and the F1.2bn of cuts which Dr. Willem Albeda, the Social Affairs Minister, had wanted.

Erratic course

The Cabinet, composed of 10 Christian Democrats and six Liberals, has steered an erratic economic course. In its first year in office it announced a four-year programme of spending cuts totalling F1.10bn. The last budget presented in September revealed, however, that much of this plan had been dropped and that the Government was hoping that new spending programmes would revive the economy.

The rises in the price of OPEC oil last year prompted a sharp revision of official Dutch forecasts, however, and showed that considerable savings were necessary. Under strong pressure from the central bank, the Government is trying to cut spending again and to reduce the size of the public sector borrowing requirement.

Attempts to cut government spending, which would hold down the salaries of many public sector workers, and appeals to the unions to reduce their wage demands in private industry have met increasing opposition. The largest union federation, the L.M.-strong FNV, is holding protest meetings throughout the country to mark its opposition to the two-month wage freeze imposed by the Government in January.

Though the position of the Cabinet was still unclear yesterday the fact that no other Ministers followed Mr. Andriessen's example suggested that the Government had increased its chances of survival.

Left-wing politicians claimed that the loss of the Finance Minister was such a significant blow that the Government could not remain in office. However, Mr. Andriessen is not the first Minister to resign from the present administration. Barely three months after it took office in December 1977, Dr. Roelof Kruisinaga, the Defence Minister,

resigned over his opposition to the neutron bomb.

The 50-year-old Mr. Andriessen played a central role in the Catholic party and the Christian Democratic movement in the 1970s though he was passed over for Mr. van Agt as leader of his party's electoral list in 1977. A lawyer by training, without a strong background of financial matters, he is seen as an unusually straightforward politician lacking ability to compromise.

Broken off

Queen Juliana broke off her winter holiday in Austria to meet Mr. van Agt in Zurich to discuss the situation. They both then flew back to the Netherlands yesterday afternoon. The Queen's announcement of her plan to abdicate in April means that Crown Princess Beatrix might be faced immediately with overseeing lengthy negotiations over a new coalition.

It could take months before a new government was well enough established to tackle the Netherlands' worsening economic position. Both governing parties have good reason for wanting the present administration to stay in office. Recent public opinion polls have shown that, for the first time, the Labour party and the smaller Democratic 66 party could form a majority in Parliament.

Reduced economic growth forecast for Ireland

BY STEWART DALSY IN DUBLIN

IRELAND'S ECONOMY could grow by 2 per cent this year while Britain will probably experience nil growth, according to the quarterly bulletin of the Economic and Social Research Institute in Dublin.

The 2 per cent figure, however, represents a slow-down from 1979 when the economy grew by 2.7 per cent. The fall in growth will arise, the ESRI says, from deflationary measures expected in next week's budget, combined with comparatively smaller export sales to Britain because of the sluggish economy there. Some 46 per cent of Irish exports still go to Britain despite considerable diversification in recent years.

The deflation, which the Irish Government has already hinted is on the way, is necessary to reduce both Ireland's enormous balance of payments deficit and its large public sector borrowing requirement, the ESRI believes. Unless the balance of payments deficit, which in 1979 was £170m (£704m sterling) is reduced reserves will become severely rundown.

Equally the ESRI believes the Government is over borrowed. It feels that the public sector borrowing requirement must be reduced to between £800m and £1bn. Assuming that the figure is £900m a borrowing rate of around 11 per cent is likely, on the basis that the GNP will be £18.3bn by the end of this year.

Bankers group backs substitution account

BY DAVID MARSH

STRONG SUPPORT for an international substitution account to stabilise exchange rates and reduce the reserve currency role of the U.S. dollar has been given by the Group of 30, a New York-based study group of bankers and economists supported by the Rockefeller Foundation.

The account, as presently being discussed by the International Monetary Fund, will allow central banks to exchange part of their dollar holdings for Fund-issued assets denominated in the IMF's multiple currency unit, the Special Drawing Right. The scheme will be one of the main items on the agenda at the Hamburg meeting in April of Finance Ministers making up the IMF's interim committee.

A report published today by the Group of 30 says that agreement on the account would mark an important step forward in the evolution of the international monetary system. The group drawing up the report was chaired by Dr. Johannes Witteveen, former managing director of the IMF, and included among its members

Mr. Christopher McMahon, executive director of the Bank of England and Mr. I. G. Patel, Governor of the Reserve Bank of India.

"Failure to reach such an agreement would risk adding to the volatility of exchange rates and the instability of current international monetary arrangements."

Reserve problem

The report says there is a serious reserve asset problem in today's international monetary arrangements. Many central banks around the world are tending to diversify the composition of their reserves away from the dollar. This has been leading to the development of a "multi-currency reserve system," which would be inherently unstable as shifts in central banks' currency preferences could disrupt foreign exchange markets.

A substitution account would not only help promote the use of the SDR as a reserve asset but would also offer an alternative to further diversification and contribute to an orderly

reduction in the dollar's reserve role.

The SDR account would need to total eventually some SDR 50bn (\$85bn) in order to make an effective contribution to deflecting diversification pressure from the dollar. This compares with a figure of around \$20bn currently being put forward by the IMF as a suitable starting-up total.

The report says it is unlikely that the dollar can continue indefinitely to provide some 80 per cent of the world's foreign exchange reserves.

Since 1979 central banks have moved out of sterling into Deutsche Marks and other non-dollar currencies. But there has been no net diversification out of the dollar. The move away from the U.S. currency by the smaller industrialised countries and developing nations has been offset by dollar accumulation by the larger European countries and Japan resulting from foreign exchange market intervention.

However, general currency diversification is expected to continue. The improvement in the U.S. current account over

the last year is unlikely to reverse the trend. This is for several reasons, including: the changing composition of world trade, growing sophistication of foreign exchange management by central banks, and the increasing importance of international lending in non-dollar currencies.

The need for the substitution account is made more urgent by the prospect that oil exporting countries will run large current account surpluses

Move away

Because the move away from the dollar is likely to continue for several years, the report urges that central banks should co-operate in providing channels for non-disruptive diversification during the time in which the account was being set up.

Among its recommendations, the report says that wide participation—from dollar holders in both the industrialised countries and the developing world—is essential, but it should be on a voluntary basis.

Moscow plays waiting game on Yugoslavia

BY OUR MOSCOW CORRESPONDENT

THE SOVIET Press has treated the illness of Yugoslavia's President Josip Broz Tito with the utmost caution and observers believe that, if he dies in the near future, Moscow is unlikely to try overtly to discomfort the weakened Yugoslav régime.

Newspapers have restricted themselves to brief factual reports, quoting the Tanjug news agency, on the state of President Tito's health, and all polemics with Yugoslavia on issues such as the Soviet invasion of Afghanistan have been dropped.

The Soviet news agency Tass reacted angrily to Western Press speculation about Moscow's intentions, dismissing them as "fantastic concoctions" and "crude, provocative and false." But the Tass report was intended for foreign consumption and was not printed in newspapers in the USSR.

Soviet, Western and Yugoslav experts all believe the restraint reflected in Moscow's present behaviour is likely to continue if President Tito dies. Speculation about a possible

Yugoslavia is confident that negotiations begun yesterday in Brussels on a new economic agreement with the EEC will be successful, write Aleksandar Lebi in Belgrade.

Officials believe that since the Soviet intervention in

attack on Yugoslavia is considered to be entirely unrealistic because it would summon an anti-Soviet reaction far more severe than the outcry over the invasion of Afghanistan, also because the attack might not succeed.

It is expected that Moscow's strategy in the post-Tito era will be to tie Yugoslavia more closely to the Soviet economy through credits and trade. Yugoslavia pays OPEC prices for Russian oil, which has pushed Yugoslavia into deficit with the Soviet Union in recent years, despite its traditional trade surplus.

Yugoslavia now has observer status in Comecon, the East Bloc economic grouping, and

Afghanistan and the implied danger to Yugoslavia following President Tito's illness the goodwill of the EEC negotiators has improved markedly, and it is hoped in Belgrade that an agreement could be signed before the end of this month.

members pay protected prices for Soviet oil which might be available to Yugoslavia too were it to strengthen its economic ties to the Soviet Bloc.

The Soviet Union may be assumed to have a long-term interest in re-asserting control over both Yugoslavia and Albania, whose anti-Soviet tirades are, if anything, more violent than those of the Chinese. But there is no general agreement about this, particularly since Yugoslavia has the ability to defend itself.

Moscow is expected to watch cautiously for developments in the internal Yugoslav political situation and avoid doing anything that might help unify the country in opposing Soviet ex-

pansionism. In the event of civil strife within Yugoslavia, Moscow would probably work secretly to strengthen any pro-Soviet groups.

Yugoslavia sold 41 per cent of its exports to the Comecon bloc last year while 42 per cent went to the industrialised West. USSR imports of Yugoslav industrial goods increased four-fold in 1978-80, compared with the previous five-year period, and Yugoslavia remains heavily dependent on the Soviet Union for oil and natural gas.

The potential danger to Yugoslavia's political freedom of action which this economic dependence could present has lent special urgency to the talks between Yugoslavia and the European Community on an economic co-operation agreement, which may be signed soon.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates \$36.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing centres.

FOOD PRICE MOVEMENTS

| | February 21 | Week ago | Month ago |
|--------------------------|-------------|-------------|-------------|
| BACON | | | |
| Danish A.1 per ton | 1,230 | 1,230 | 1,270 |
| British A.1 per ton | 1,180 | 1,180 | 1,220 |
| Ulster A.1 per ton | 1,180 | 1,180 | 1,220 |
| BUTTER | | | |
| NZ per 10 kg | 14.80/14.97 | 14.80/14.97 | 14.20/14.37 |
| English per 10 kg | 18.57 | 18.57 | 18.57 |
| Danish salted, per 10 kg | 18.18 | 18.18 | 18.18 |
| CHEESE | | | |
| English cheddar | 1,545 | 1,560/1,611 | 1,505 |
| Irish cheddar | 1,526.11 | 1,535.95 | 1,526.11 |
| Danish cheddar | 1,420 | 1,435 | 1,395 |
| EGGS | | | |
| Home produced: | | | |
| Size 4 | 4.30/4.50 | 4.40/4.60 | 4.70/4.90 |
| Size 3 | 4.70/4.85 | 4.65/4.85 | 5.00/5.10 |
| BEEF | | | |
| Scottish killed sides | 64.0/68.0 | 64.0/68.0 | 63.0/67.0 |
| Else forequarters | 45.0/49.0 | 47.0/50.0 | 45.0/49.0 |
| LAMB | | | |
| English | 50.0/54.0 | 50.0/54.0 | 49.0/53.0 |
| NZ FLS/PLS | 51.0/53.0 | 51.0/53.0 | 48.0/51.0 |
| PORK | | | |
| All weights | 36.0/49.0 | 36.0/49.0 | 36.0/50.0 |
| POULTRY | | | |
| Oven-ready chickens | 39.0/48.0 | 38.0/48.0 | 37.0/46.0 |

* London Egg Exchange price per 120 eggs. † Delivered. ‡ 20-kg rimless blocks delivered, per tonne.

| EUROPEAN OPTIONS EXCHANGE | | | | | | | | | |
|---------------------------|----------|-------|--------|-------|-------|------|-------|----------|----------|
| Series | | April | Last | Vol. | July | Last | Vol. | Oct. | Stock |
| | | Vol. | | | | | | | |
| ABN C | F.300 | — | — | 5 | 9 | — | 3 | 11 | F.288 |
| ABN C | F.310 | — | — | 4 | 4.50 | — | — | — | — |
| ABN C | F.320 | — | — | 20 | 4 | 2.50 | — | — | — |
| AKZ C | F.23.50 | 20 | 3.70 | 20 | 4 | — | — | — | F.36.40 |
| AKZ C | F.23.90 | 44 | 1.60 | 12 | 3 | — | — | — | — |
| AKZ C | F.27.40 | 20 | 0.70 | 27 | 0.90 | — | 8 | 1.50 | — |
| AKZ C | F.300 | 10 | 0.30 | — | — | — | — | — | — |
| HEI C | F.75 | 30 | — | 1 | 2.70 | — | 1 | 3.80 | F.67.50 |
| HEI C | F.75 | 30 | — | 1 | 5 | — | — | — | — |
| KLM C | F.70 | 53 | 5.80 | 5 | — | — | — | — | F.66.50 |
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| KLM C | F.80 | 44 | 0.50 | — | — | — | — | — | — |
| KLM C | F.60 | 175 | 1.30 | 18 | 2.60 | — | — | — | — |
| KLM C | F.70 | 37 | 4.50 | — | — | — | — | — | — |
| KLM C | F.70 | 37 | 4.50 | — | 50 | 12 | — | — | — |
| NN C | F.118 | 9 | 1.90 | 23 | 3 | 1 | 4.80 | F.113.20 | — |
| NN C | F.120 | 36 | 0.80 | 2 | 3 | 5 | 2.60 | — | — |
| NN C | F.115 | 2 | 3.70 | — | — | — | — | — | — |
| NN C | F.120 | 2 | 8.85 | — | — | — | — | — | Pr.6150 |
| PET C | Fr.6000 | — | — | 3 | 560 | — | — | — | — |
| PET C | Fr.6000 | — | — | — | — | — | 200 | — | — |
| PET C | F.230 | 10 | 1 | 143 | 1.50 | 3 | 1.80 | F.19.90 | — |
| PHI C | F.23.50 | — | — | 30 | 0.50 | 13 | 0.80 | — | — |
| PHI C | F.230 | — | — | 2 | 3 | 3 | 1.10 | — | — |
| PHI P | Fr.25.50 | 4 | 2.60 | 2 | — | — | — | — | F.170.40 |
| RD C | F.140 | 16 | 32 | 5 | 32.50 | 5 | — | — | — |
| RD C | F.140 | 20 | 27 | — | — | 5 | 30 | — | — |
| RD C | F.150 | 30 | 87 | 1 | 24 | — | — | — | — |
| RD C | F.160 | 428 | 14.50 | 172 | 15.50 | 60 | 17 | — | — |
| RD C | F.170 | 734 | 8.40 | 507 | 10.10 | 47 | 11 | — | — |
| RD P | F.150 | 161 | 0.70 | 20 | 2.40 | 47 | 4 | — | — |
| RD P | F.160 | 82 | 2.30 | 47 | 4.70 | — | — | — | — |
| RD P | F.170 | 68 | 5.90 | — | — | 4 | 12 | — | — |
| UNI C | F.110 | 20 | 10.50 | — | — | — | — | F.113.70 | — |
| UNI C | F.115 | 24 | 6.20 | 10 | 7.50 | — | — | — | — |
| UNI C | F.120 | 13 | 1.10 | — | — | — | — | — | — |
| UNI C | F.125 | 48 | 1.10 | 1 | 2 | — | — | — | — |
| UNI C | F.150 | 7 | 0.40 | — | — | — | — | — | — |
| UNI P | F.110 | — | — | 1 | 1.50 | — | — | — | — |
| XON C | 820 | 5 | 11 1/2 | — | — | — | — | — | 56 1/2 |
| XON C | 870 | 20 | 1 1/2 | — | — | — | — | — | — |
| | | May | | | Aug. | | | Nov. | |
| BA C | 860 | 5 | 8 1/4 | — | — | — | — | — | 58 3/4 |
| BA C | 870 | 35 | 1 3/4 | — | — | — | — | — | — |
| DMW C | DM.130 | 1 | 1 | 1 | 18.50 | 1 | 19 | DM145.70 | — |
| DMW C | DM.130 | 1 | 1 | 1 | 10 | — | — | — | DM135 |
| DMW C | DM.130 | 1 | 1 | 1 | — | 1 | 7 | — | — |
| DMW C | DM.130 | 1 | 1 | 1 | — | — | — | — | — |
| CMX C | 535 | 40 | 7 1/2 | — | — | — | — | — | 52 1/2 |
| SLB C | 8110 | 2 | 15 1/4 | — | — | — | — | — | 5190 |
| SLB C | 8120 | 2 | 9 | — | — | — | — | — | — |
| | | March | | | June | | Sept. | | |
| GW C | 850 | — | — | 4 | 4 1/4 | — | — | — | 850 1/4 |
| TOTAL VOLUME IN CONTRACTS | | | | P=Put | | 3674 | | | |
| G=Call | | | | | | | | | |

Syria allocates 55% of Budget for defence

BY OUR CAIRO CORRESPONDENT

WHENEVER SYRIA feels threatened, or, as in the early years of the 1970s, plans to launch a war to recover its Israeli-occupied territory, these attitudes tend to be reflected in the composition of its annual budget.

Hence Wednesday's announcement by Dr. Hamdi Sagga, the Finance Minister, to the People's Council that, in Syria's biggest-ever budget, for 1980, some 55 per cent of the estimated \$7bn (£3.1bn) allocations will go to the military and internal security forces. This compares, according to the London-based International Institute for Strategic Studies, with 24.1 per cent in 1978 and 35.6 per cent last year.

This year's further and substantial rise is directly related to the peace treaty between Egypt and Israel, and the anxieties Syria feels over Lebanon, where it has at least 26,000 peace-keeping troops.

Since President Anwar Sadat's visit to Jerusalem in November 1977 and the subsequent peace treaty, Syria has felt, militarily, acutely vulnerable on its southern front, and admits it could not hope to win an all-out confrontation with Israel.

This does not mean that for national and pan-Arab reasons it does not wish to maintain as effective a deterrent force as possible. The resolutions of the 1978 Baghdad-Arab summit in particular were specifically designed to help Syria bolster its military credibility.

Under the terms of the Baghdad agreements, Syria was

due to receive annual payments for the next five years of about \$1.8bn. So far as can be assessed, about \$1.4bn was paid last year, and the first tranches of the 1980 financial year have begun arriving.

Nearly all this money has been channelled directly into military spending and accounted for almost all the increase in the 1979 Budget.

Because of initial difficulties in negotiations with the Soviet Union over the pace and quality of arms deliveries, it is understood that a significant proportion of the 1979 allocations were not disbursed.

This could help to account for the greater increase in the 1980 Budget. Even before the Soviet invasion of Afghanistan, Moscow and Damascus had sorted out part of their disagreement which stemmed from the Syrian desire for more sophisticated weapons, particularly the T-72 tank and MiG-25 and MiG-27 fighter interceptors.

Syria is already understood to have received about 120 of the T-72 tanks and about two squadrons of the MiG-25s.

Syria tends to over-emphasise the burden of maintaining its troops in Lebanon, but this operation does represent some extra charge to the military budget.

Troops deployed there receive additional payments this year, the Government must also meet the cost of significant pay rises decreed earlier for its armed forces, estimated at 230,000.

The Syrian decision to pull back from Beirut would make no difference to military spending, and has to be viewed in solely political terms.

Jordan plans to soak up liquidity

AMMAN—Jordan is formulating a strict monetary policy to soak up domestic liquidity, Sheriff Abdel-Hamid Sharaf, the Prime Minister, told a Press conference yesterday.

The Government's efforts to curb inflation, running officially at 12 per cent, have so far been frustrated by world oil price rises, which led to domestic fuel price increases of over 30 per cent in some cases.

Economic growth and social

development in Jordan are creating exaggerated expectations among the public, with aspirations greater than the country's resources, the Prime Minister said.

He added that oil exploration was about to be renewed following encouraging signs from seismic surveys carried out last year. Four experimental wells would be drilled in the South of the country.

Reuter

Simon Henderson, in Tehran, examines the rivalry behind the differing pronouncements from Iran Bani-Sadr and the war for Khomeini's ear

CONTINUING domestic political rivalry appears to be the principal cause of the differing statements coming out of Tehran in connection with the UN-sponsored commission of inquiry into the regime of the former Shah of Iran.

Ayatollah Khomeini's broadcast appeal to Iranians on Wednesday to continue demanding the former Shah's extradition for trial in Iran appeared to threaten President Bani-Sadr's plans to solve the crisis over the 50 hostages held at the US embassy in Tehran.

Certainly diplomats in the Iranian capital believe that President Bani-Sadr is now under considerable pressure, despite the strong position he established by winning 75 per cent of the poll in the Presidential election three weeks ago, and despite having reinforced his authority earlier this week by taking over as Commander-in-Chief of the armed forces from Ayatollah Khomeini.

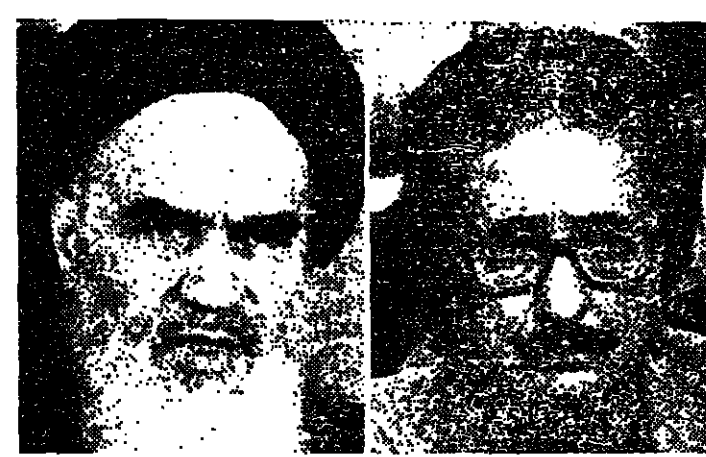
Iran's internal political debate is rarely open and hardly ever clear-cut. But the basic challenge to Mr. Bani-Sadr is

thought to come from three leading clerical figures sitting on the ruling Revolutionary Council. These men risk being politically eclipsed completely if the President's strength is confirmed in elections for a general assembly. But the polls are still three weeks away.

The three are Ayatollah Mohammed Beheshti, secretary of the Council, Hojatulislam Ali Khamenei, the Council's representative in the Ministry of Defence, and Hojatulislam Ali Akbar Rafsanjani, the Council's representative in the Interior Ministry.

Together they represent the basic leadership of the Islamic Republican party. This was thought to be the political party of the clergy until Mr. Bani-Sadr's presidential victory showed it had neither the organisation nor the suitable candidates. The party's man withdrew when it was shown he had an Afghan parent and was therefore not a true Iranian.

A couple of months ago these three clerical figures were thought to be assured of political power through elevation to the



Ayatollah Khomeini (left) and President Bani-Sadr who claims the religious leader's approval for his plans.

"Guardian Council" to act as watchdogs of the constitution. But Ayatollah Khomeini this week appointed six other men, all senior clerics free of political involvement.

In fighting for their political lives, these men are having to make use of whatever weapons they can," one diplomat said yesterday in Tehran. "The

weapon available to them at the moment is the hostage crisis."

This interpretation is one of the very few to make any sense of the confusing series of Iranian statements on the crisis in the past week. President Bani-Sadr has held out the possibility of the hostages' release if the U.S. apologises

for past interference in Iran's internal affairs. But other members of the Council have continued to link the hostages firmly with the return of the Shah.

Only insiders know the true state of health of the 79-year-old leader as he fights to recover from heart trouble in a Tehran hospital. How closely he is following political developments can only be guessed.

Mr. Bani-Sadr saw the Ayatollah for 20 minutes last week and Dr. Beheshti and some

of his colleagues saw him for 30 minutes this week. The President said he won approval for his plans. Dr. Beheshti apparently failed to secure any political future for himself. Cynics call the whole process a "war of Khomeini's ear."

Mr. Bani-Sadr is still thought likely to emerge supreme. His Unity Congress grouping is expected to sweep the March 14 assembly polls. But the delay in the election, which was originally scheduled for a week earlier, was seen as a minor tactical victory for his rivals.

The President's strength is that he is both respected as an honest politician and surrounded by a group of bright young assistants aware of the political challenges and cunning enough to outflank them. But until the domestic political battle is decided, progress on the hostage issue looks unlikely. Even if Iranians are becoming bored with the hostages problem, it would still be difficult for them to accept the loss of face involved in failure to secure the Shah's return. That is the present challenge—as it always was.

Egypt near signing \$650m IMF agreement

BY ROGER MATTHEWS IN CAIRO

EGYPT AND the International Monetary Fund have initiated a new three-year agreement thought to be worth about \$650m-\$700m (£288m-£311m). The broad lines of the extended fund facility were negotiated in Cairo over the past 10 days. The remaining detailed work is likely to be completed in time for formal signing in March.

Neither side has yet made an official announcement, reflecting IMF caution and perhaps some

Egyptian disappointment at failing to extract the \$1.1bn it had publicly predicted.

This failure is largely because the turnaround in the Egyptian balance of payments during the past two years, due to buoyancy of oil prices, workers' remittances from abroad, tourism, Suez Canal earnings and aid flows, could not justify a larger sum.

But to be on the verge of clinching an IMF agreement is

a remarkable achievement for Egypt and gives the Government its much-sought-after seal of international approval for its economic policies.

It also indicates that the IMF is convinced that Egypt intends to come to grips with its main deep-seated problems, particularly the Budget deficit and the distortions caused by heavy subsidies on a wide range of staple commodities.

The subsidies are acutely

sensitive politically, since the attempt in January 1977 to reduce them led to three days of serious rioting.

Egypt balked at some of its commitments in the last IMF agreement for \$730m, which was aborted only four months after it was signed in the summer of 1978. This time, the conditions set down in the letter of intent may be more flexible or the IMF more confident that they will be adhered to.

S. Africa goes ahead with power link for Namibia

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICA last night announced the go-ahead for a power line to link Namibia (South-West Africa) with the South African electricity grid.

A decision on the line has been awaiting Cabinet approval for many months, because of uncertainty over the future of the territory and the status of the Ruacana hydro-electric power scheme on the Angolan border.

The decision to go ahead with its construction, at a cost estimated at some R50m (£28m), suggests that the South African Government does not expect any early resolution of the stalemate with Angola which prevents Ruacana from being used outside the rainy season.

The line will run 500 miles from Aggenais in the northern Cape via Keetmanshoop to Windhoek. It will have a capacity of 100-120 MW.

Announcing the decision yesterday, Dr. Schalk van der Merwe, the South African Minister of Industry, said that power generation capacity in

the territory was very stretched as long as the Ruacana scheme could not be fully utilised. A shortage of power would seriously hamper the territory's economy, and particularly the mining industry, including Rio Tinto's Rossing uranium mine.

The future of the territory is still under discussion between South Africa and the United Nations and approval of the power line will obviously increase the dependence of Namibia on South Africa.

The 240 MW Ruacana scheme, which could have supplied all Namibia's power needs, cannot operate outside the rainy season because the Calveque dam in Angola has never been completed.

© The South African Defence Force announced yesterday that a further 18 guerrillas belonging to the South-west Africa Peoples Organisation (SWAPO) had been killed during the past week bringing the total casualty figure for SWAPO guerrillas in February to 95.

Europe's support for PLO angers Israel

BY DAVID LENNON IN TEL AVIV

ISRAEL is worried about growing support within Europe for the Palestinian cause.

A meeting of the 15 Israeli ambassadors to European capitals was held in London yesterday to discuss ways of combating what is seen in Jerusalem as European moves towards recognition of the Palestinian Liberation Organisation.

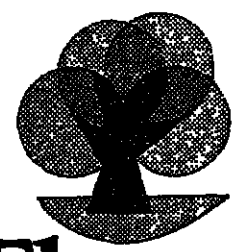
Professor Yigael Yadin, the Deputy Prime Minister, said Israel was annoyed that friends

like Britain were taking the initiative to change resolution 242.

Israeli anger has not been restricted to verbal broadsides, although Mr. Menahem Begin, the Prime Minister, is reported to have berated the British ambassador in Tel Aviv. It has also been given concrete form by Israel's refusal to hold the next round of ministerial talks on

Palestinian autonomy in London.

Although Israel was not surprised by French support for the British moves, it was deeply disturbed by a joint Irish-Bahrain declaration favouring an independent Palestinian state and recognising the PLO. Equally worrying were reports of West German arms sales to various Arab states.



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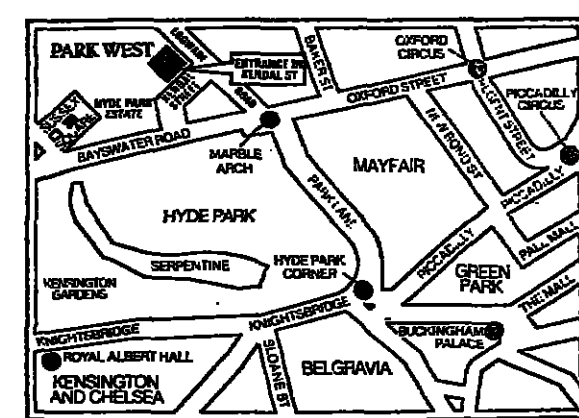
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AMERICAN NEWS

REPUBLICANS IN NEW HAMPSHIRE

Knives out behind the facade of GOP togetherness

BY JUREK MARTIN IN MANCHESTER, NEW HAMPSHIRE

THE First Commandment of the Republican Party so far in 1980 is that no candidate shall not speak ill of another—at least not when all are gathered together in the same place.

Thus it was, on Wednesday night at Manchester Central High School, that all seven cast members at President Jimmy Carter, the Soviet Union and big government everywhere, while never even implying that anybody else sharing the platform was other than a fine upstanding gentleman, more than capable of discharging the duties of the Presidency with honour.

The harmony, of course, is artificial. When they are out stomping on their own, the candidate is less evident. Mr. Ronald Reagan's New Hampshire campaign, with the sometimes unwanted assistance of the daily vitriol spewed out by the Manchester Union Leader newspaper, is not slow to suggest that Mr. George Bush is a closet silk-stocking liberal, a tool of the internationalist minded, Rockefeller-dominated Eastern establishment.

Senator Howard Baker, from his perspective in the middle of the party, is prone to insinuate that Mr. Bush is just an ideological clone of Mr. Reagan with a dreadful electoral record. And Mr. Bush's heavily advertised daily three-mile runs are undertaken simply to enhance his fitness but to contrast his vigour with the imagined near-dog creeping up on the 69-year-old former Governor of California.

It is generally assumed that, with the nation's first Presidential primary less than a week off, the Republican wheat has already been sown along the primary line. In any case the performance of the bottom four can take valuable votes away from the front-runners.

Without a shadow of doubt, the whole campaign would be enlivened in content and elevated in tone if such a transformation were to visit Mr. Anderson. The 20-year Congressman from Illinois, while maned and full of voice, has nothing to lose by standing clearly from the pack. It is not merely that he is much more



Republican front-runners George Bush, Ronald Reagan and Howard Baker... the harmony is artificial

liberal than his rivals, but also that he is unafraid to take controversial positions which more than justify the theme of his radio and TV commercials — "Consider" the Anderson difference.

Different he is. In the farm state of Iowa he supported the partial grain embargo against the Soviet Union. Here in New Hampshire, where hunting is a favourite pastime, he speaks out for gun control, states unequivocally his belief in a woman's right to choose abortion, and declares flatly that it is impossible simultaneously to balance the budget and embark on major defence spending. He incessantly plugs away with his proposal that the U.S. enact a 50-cents-a-gallon tax on petrol, using the proceeds to restore financial viability to the battered social security system.

No other candidate is so direct, perhaps because they all know the pitfalls that normally come with specificity. Mr. Crane, it must be said, does not pull his conservative punches either.

Connally muted

Once viewed as a stalking horse for Mr. Reagan, the lantern-jawed young Congressman's eyes flash and his big teeth gleam as he enunciates the creed of the true believers — back to the gold standard, stop printing money, cut government down to size, and maintain world peace "by preparing for war." It is a fair bet that Mr. Reagan will get his share of the votes.

Mr. Connally, however, seems a shadow of his former self. The once bombastic Treasury Secretary is quite muted and now appears merely to be clinging

to the hope that in some later southern primary closer to his Texan home he can do better. Senator Dole by now is just playing out the string, surviving publicly on his notoriety, sometimes abrasive, sense of humour.

The real focus here is on Mr. Bush and Mr. Reagan. Neither put a foot particularly wrong in Wednesday night's forum, which probably helped Mr. Bush a little now that he has become the favourite. It is remarkable how faithfully Mr. Bush is following the trail blazed by Governor Jimmy Carter four years ago both in the tactic of running everywhere and relying on good organisation and in his public demeanour.

While candidate Carter preached that he would never tell a lie and that Government should reflect the inherent goodness of the American people, candidate Bush proclaims his optimism about America with the line: "Together there's nothing we can't solve."

While candidate Carter flashed his famous grin, candidate Bush clenches his lean jaw, punches the air with his fist, mists his eyes and goes into overdrive. His commercials here feature a lot of patriotic background music. Perhaps over-inspired by this, he was a bit carried away recently when he said he thought a nuclear war was "winnable." But otherwise Mr. Bush is following the Carter model of being all things to all people for as long as possible — he does not say much that is memorable, but he says it with feeling.

As befits a professional actor, Mr. Reagan is also pretty good at "the glazed look, catch-in-the-voice" when talking about America's approach. On

Wednesday night he said he thought some "divine plan" had placed the U.S. of America on the earth.

But the success of Mr. Bush has had the effect of persuading Mr. Reagan to campaign more and of shoving him back to the conservative camp, from whose confines, under the tutelage of his campaign manager, Mr. John Sears, he was trying to escape. Now he wants an American blockade of Cuba as part of a grand strategy for the 1980s designed "to touch the soft spots" of the Soviet Union.

Obvious course

Mr. Baker's assets are less graphically evident. He is a small man who speaks in long, grammatically correct sentences. He wants, as he puts it, "to civilise" politics. His initial error — it may turn out to have been a fatal miscalculation — was to believe he could run for President from the national vantage point of the Congress, in which he is Senate minority leader, only to find out that to be associated with Congress these days is not a popular profession.

Mr. Baker is clearly intelligent, knowledgeable and, on most matters, fairly moderate. But he has a lot of catching up to do, and he knows it.

In the meantime, the safest course for all is to attack the obvious — President Carter's record — while at the same time trying to build an individual identity in the public eye. So far this has been a civilised, gentlemanly business. But after the New Hampshire votes are counted next Tuesday, and the field is genuinely narrowed, the survivors cannot be expected to be so reticent.

'Windfall' proceeds may fund tax cuts

By David Buchan in Washington

PRESSURE for a general tax cut in this election year is clearly building up on Capitol Hill, with Congressmen and Senators pushing for something to sweeten the mood of the voters they will face in November.

House and Senate negotiators, finishing work on the controversial "windfall oil profits" tax which President Jimmy Carter proposed last April, decided this week to earmark 60 per cent of the \$227bn tax for possible use in financing income or corporation tax reductions.

The decision, which also allotted 25 per cent of the tax's proceeds to helping the poorer pay higher energy bills and 15 per cent to financing energy conservation and development programmes, is not binding in the sense that Congress would have to pass further legislation at a later date to actually pay out the money.

But Carter Administration officials have expressed concern at Congress's statement of intent. The President has explicitly warned against general tax relief at the 70 per cent, despite his economists' prediction of a downturn in the economy this year, lest it further fuel inflation. This week, Mr. Paul Volcker, chairman of the Federal Reserve Board, strongly supported this position.

Most of the prolonged disputes, first between the Administration and the Congress, and now between the two branches of the legislature, has been on how to raise the tax, not how to spend it's proceeds.

This has now been largely achieved, with a compromise total of \$227m for the total tax, which the Administration has pronounced acceptable, with only a few loose ends, such as whether the tax should be retroactive to January 1, 1980, still to be tied up.

The Carter Administration proposed the tax to take some of the "windfall" profits of the oil companies from decontrolling domestic oil prices and use them to finance conservation, better public transport and to underpin the development of synthetic oil and gas. While both the Administration and the U.S. oil industry are withholding public criticism until the Senate and House negotiators finalise the bill, neither is happy that only 15 per cent of the tax proceeds has been earmarked for energy development. This works out at only \$34.1bn, compared to the \$88bn synthetic fuel programme which the Carter Administration wants to get under way.

Ford to unveil fault details

WASHINGTON — Ford has agreed to disclose information about major engine and transmission problems and offer some reimbursement for post-warranty repairs on some 6m vehicles, the U.S. Federal Trade Commission said yesterday.

The agreement is part of a consent agreement settling the FTC's two-year "piston scuffing" case against Ford. Ford has agreed to launch a campaign involving letters, direct mail and full-page magazine advertisements to alert certain vehicle owners to repair information and possible post-warranty compensation, the FTC said. Agencies

UK deficit with USSR widens as imports rise

BY DAVID SATTER IN MOSCOW

BRITISH IMPORTS from the Soviet Union increased 20 per cent last year to \$828.9m, largely on the strength of higher prices for Soviet raw materials. The result was a further widening of the chronic British deficit in Soviet trade to \$410m from \$285m in 1978.

Figures released by the British Embassy showed that Soviet exports to the UK — mostly items such as oil, timber, furs and industrial diamonds — totalled \$828.9m in 1979, a 20 per cent increase over the value of Soviet exports in 1978 which was \$688.2m.

The value of British exports, in spite of the effects of inflation and the pressure in the figures of a large value for uranium routed through the UK for

enrichment in the Soviet Union.

British exports, which are mostly manufactured goods, were worth \$419m, a 1 per cent drop from the 1978 total of \$423.1m. Overall trade increased 12 per cent to a value of \$1.3bn last year compared with \$1.1bn in 1978.

Soviet exports were buoyed by higher prices for Soviet oil and timber and increased deliveries of timber. But British exports to the Soviet Union continued to lag behind those of other Western competitors and British commercial sources said they did not see any major contracts on the horizon for British companies this year, the last of the present five-year plan.

The \$350m five-year Anglo-Soviet export credit expired

with only a little more than \$550m being utilised, and the only major contract in the last 18 months have been a \$50m deal signed by Davy International for construction of an Alpha-Olefins plant at Nizhnekamsk and a \$36m contract signed by Woodall-Duckham for a glass fibre plant near Polotak.

Reuter reports from Oberhausen: Deutsche Babcock considers Soviet orders for nuclear power plant equipment as one of the company's safest orders in spite of the international situation. Herr Hans Ewaldsen, executive board chairman, said,

He also said he regarded any Western attempts to impose a trade embargo on the Soviet Union as the wrong instrument for solving political problems.

Call for Britain to raise quality of goods

BY FRANK GRAY

BRITISH manufacturers will have to improve the quality, marketing and delivery and after-sales performance of their goods if Britain is to improve its share of the world export market. This was the central message of Lord Limerick in the annual report of the British Overseas Trade Board (BOTB) of which he is chairman.

Lord Limerick's statement differed from that of his predecessor, Lord Gathcru, who in last year's BOTB report stressed that the rising value of sterling was the key source of Britain's export ills.

The current BOTB chairman said that sterling, last winter's strikes and the engineering strike of last autumn as well as the sharp decline in exports to

Iran and Nigeria had hurt UK exports. But he added: "The main factor affecting export performance and import penetration is our own industrial performance."

"Some modification" would be required in the BOTB's export support services this year, in line with Government cost-cutting policies, but the board was still awaiting announcement of firm, long-term decisions.

Its direct expenditures for the fiscal year, to March 31, 1980 are forecast at \$28m, of which \$16.2m will have been spent on trade promotion. The Government has asked it "to find £2m" in outside revenue to offset its own costs over the next year.

Better incentives for exporters urged

BY LISA WOOD

A CALL for the Government to introduce new export incentives in this year's budget has been made by Mr. Michael Hoffman, chairman of the Perkins Engines Group.

In an open letter to Sir Geoffrey Howe, Chancellor of the Exchequer, Mr. Hoffman said that the Government's economic policies, combined with Britain's unique situation in the world economy, were penalising the nation's most successful exporting companies. He asked the Chancellor to stimulate exports by providing more and cheaper export credit guarantees and by introducing an export rebate scheme geared to the sterling exchange rate.

British exporters today suffer the unique combination

of a high inflation rate, inherently low levels of industrial productivity, high interest rates and a strong pound partly caused by UK oil reserves.

"There is no other industrialised country in the world where all these factors occur together," claimed Mr. Hoffman. "The result is that British exports of manufactured goods are becoming increasingly uncompetitive. Industry supports the general aims of Government economic policy but we need time to tackle the fundamental causes of low productivity."

"During this period there must be Government incentives to reward the successful exporters and ensure that we retain our position in world markets."

Ford to sell trucks to India

By Kenneth Gooding, Motor Industry Correspondent

FORD OF BRITAIN has reached an agreement, worth about \$12m a year, to export 3,000 of its D-Series medium-weight trucks annually to India.

This follows the recent easing of restrictions on commercial vehicle imports to India because local manufacturers have had difficulty keeping up with demand.

The Ford vehicles will be shipped in kit (knocked down) form for local assembly by Ford agents Simpson and Company of Madras, who will also retail the trucks.

Most of the parts required will be supplied initially from the UK.

A major exception is the six-cylinder diesel engine which will be manufactured in Madras by Simpson under a licensing agreement with Perkins Engines of the UK. And progressively, more locally-manufactured parts will be used.

D-Series trucks are currently exported to 16 countries in kit form. In addition to the 18,000 kit units shipped each year from the Ford truck plant at Langley in the UK, some 8,000 built-up units are also exported.

Leysland Kenya is celebrating the production of the 10,000th vehicle at its commercial vehicle assembly plant near Nairobi, which was opened in December, 1976. John Worrall writes from Nairobi. At the same time it is planning extensions to the plant to include the assembly of Mitsubishi one-ton pickups, Suzuki four-wheel drive vehicles, and military Land Rovers, bringing the range of basic model types assembled from six to nine.

Brown declares emergency after California storms

BY STEWART FLEMING IN NEW YORK

WIDESPREAD AREAS of southern California and Arizona which have been swept by severe storms and flooding have been designated disaster areas by President Jimmy Carter and California governor, Mr. Jerry Brown.

The worst damage appears to be in southern California, where Governor Brown has declared a state of emergency in four counties surrounding Los Angeles and placed 18,000 members of the state national guard on standby alert following 16 deaths and damage reckoned to be in excess of \$100m.

Most of the damage has been due to mud slides which have

destroyed over 30 homes and severely damaged hundreds more. In the past week there has been more than 11 inches of rain in the area.

The flooding and mud slides in canyons surrounding Los Angeles has been only part of the problem, however. High winds and heavy seas have pounded ocean-front homes in Malibu county, adjacent to Los Angeles, and caused extensive damage.

In Arizona, around the city of Phoenix, widespread flooding has undermined roads and bridges and flooded houses in what is normally an arid part of the country.

Republican in FBI probe quits party

BY OUR WASHINGTON CORRESPONDENT

THE ONLY Republican representative so far implicated in the FBI's political corruption probe, Mr. Richard Kelly, resigned from the Republican caucus yesterday.

Republican leaders in the House of Representatives had earlier unanimously urged their rank and file to expel Mr. Kelly from the Congressional party organisation and to deny him party campaign funds, because he took a \$25,000 payment in the probe.

Seven Democrats were also implicated in the scandal but Mr. Kelly was also the only one to admit publicly that he took money from the undercover

Government agents. This, he explained, was because he was conducting his own investigation of political skulduggery.

The Republican leadership's recommendation brought an immediate rebuke from the Democratic leader, Mr. Tip O'Neill, the House Speaker, who said the Republicans were ignoring due process of law because none of those named in the scandal had been formally charged, let alone convicted.

By taking swift action the House Republican leaders may hope to turn to political advantage a scandal that involves a disproportionate number of Democrats.

MITI mission to explore UK prospects

By John Elliott, Industrial Editor

A DELEGATION of Japanese bankers and industrialists is to visit the UK for 10 days next month to explore the possibilities of setting up new investment projects.

Led by a representative of the Japanese Ministry of International Trade and Industry (MITI), the delegation will meet Lord Trenchard, Minister of State for Industry, before a tour of Scotland, Wales, the north of England and the Midlands.

They are expected to visit various Japanese companies which already have factories in the UK, as well as seeing other businesses, including electronics establishments.

Before arriving in London on March 5, the delegation will visit Eire, a strong competitor with the UK for investment projects.

Competition is especially keen for new electronics plants, and Lord Trenchard and his department's Inward Investment Bureau intends to try to persuade the delegation that the UK is the right place. Included in the 20 people delegation will be representatives of the Industrial Bank of Japan, the Long-Term Credit Bank, and industrialists from companies such as Fujitsu and Nippon Electric.

A special correspondent reports from Tokyo on the potential for foreigners in a fast-growing leisure industry Why Japanese 'sportaholics' are worth a closer look

JAPAN, the EEC Commission noted in a secret memorandum last spring, is a nation of 115m sportaholics living in rabbit hutchies. Some of those who have followed the habits and tastes of the Japanese from slightly closer quarters over the past few years wonder whether "sportaholics" might not have been a better definition.

It may be true that the Japanese still work longer hours and enjoy fewer holidays than their European counterparts but it is also true that the leisure time they do enjoy has increased steadily in the past few years and it being used to the utmost.

According to Japan's Leisure Development Centre, a semi-governmental organisation, Japanese workers took an average of 82 days off in 1977 (including weekends), had increased this to 104.4 days in 1978 and were expected to be away from work for between 132 and 155 days in 1985.

Statistics on how much the Japanese spend on their time off are not quite so up to date, but the centre estimates the leisure market worth ¥5.120bn (about \$324m) in 1976, as being about a prospective ¥8.760bn in 1985. Where does all the money go and does any of it find its way into the pockets of foreign companies?

Leaving aside foreign travel

expenditure, which is not included in leisure activity (because too much of it is for business) there is evidence that quite a large chunk of Japanese leisure spending does benefit foreigners. Sports equipment cost the Japanese ¥741.3bn in 1978 and a lot of this went towards buying top quality gear that Western sports enthusiasts might find superfluous.

The Japanese are as serious about sport, if not more so, as about other aspects of life and to be serious is to be correctly equipped. It is noticeable on golf courses and even on urban golf driving ranges, those typically Japanese substitutes for the real thing, that the most modest performers have the best U.S. or British made clubs and the latest gear, complete with all imaginable gimmicks.

This phenomenon can be observed also at tennis clubs, among the 13m or so anglers who occupy every vantage point on accessible parts of Japan's coastline or in the newer minority sports of sailing, mountaineering, skin-diving and surfing.

Japanese hikers tend to dress for a major trek, although taking only a gentle Sunday ramble, which presumably explains why British exporters of mountaineering equipment chalk up handsome orders whenever they appear at the

British Export Marketing Centre in Tokyo.

Hiking and trekking however are not the only popular sports which can earn money for foreigners in Japan. Dunlop and Siazenger are brand leaders in a market where 1.9m tennis players buy 2.1m rackets a year (worth ¥8.2bn) of which about 120,000 are imported.

The Japanese Ski Association, whose members are lucky enough to be able to jump on a train in Tokyo and be on a ski slope within a couple of hours, boasts 792,000 subscribers. These, together with hundreds of thousands of more occasional skiers, spent ¥17.3bn last year on 910,000 pairs of skis. More than one-third of this total was imported (with imports generally costing more than home produced skis and with France getting the lion's share of the business).

The situation is similar with ski boots except that here it is the Italian Government which conducts a running battle with Japan over its continued imposition of an import quota on ski boots.

"New" sports in Japan (with 1978 figures for participants in brackets) include sailing (590,000), surfing (250,000), skin diving (250,000), back packing (200,000) and wind surfing (2,000). Add to that 2m Frisbie users, with a marked

preference for the "high grade" U.S. product, and the world's largest camera industry as a trendy where sport is concerned as any leisure-addicted Western nation.

To most Japanese the question of what to wear is all important on any leisure occasion. So it is not surprising that the market for sportswear had grown from ¥14.5bn in 1963 to ¥107.8bn in 1978. By far the greatest part of the demand is for high quality branded merchandise. Goods marketed with the hall-mark of a star performer's name enjoy much success.

After sport, as means of satisfying the leisure aspirations of today's less work-oriented Japanese, come hobbies. Japan is, of course, strong on traditional hobbies such as flower arrangement and the tea ceremony (both mainly of interest to women) but it is taking to Western style hobbies with a vengeance.

The Leisure Development Centre's white paper reports markets worth ¥23.4bn for musical instruments, and ¥207bn for gardening (among medium-scale Western hobbies), flanked by the ¥69bn philately market (at the bottom end of the scale) and the huge ¥2,561bn audio market at top. Japan has, of course, developed its own very competi-

tive audio and musical instruments industries as well as the world's largest camera industry to serve a nation of fanatically keen photographers. At the top of the audio market, however, British companies have found demand for quality items, and the merits of Ilford's black and white film are known to serious photographers.

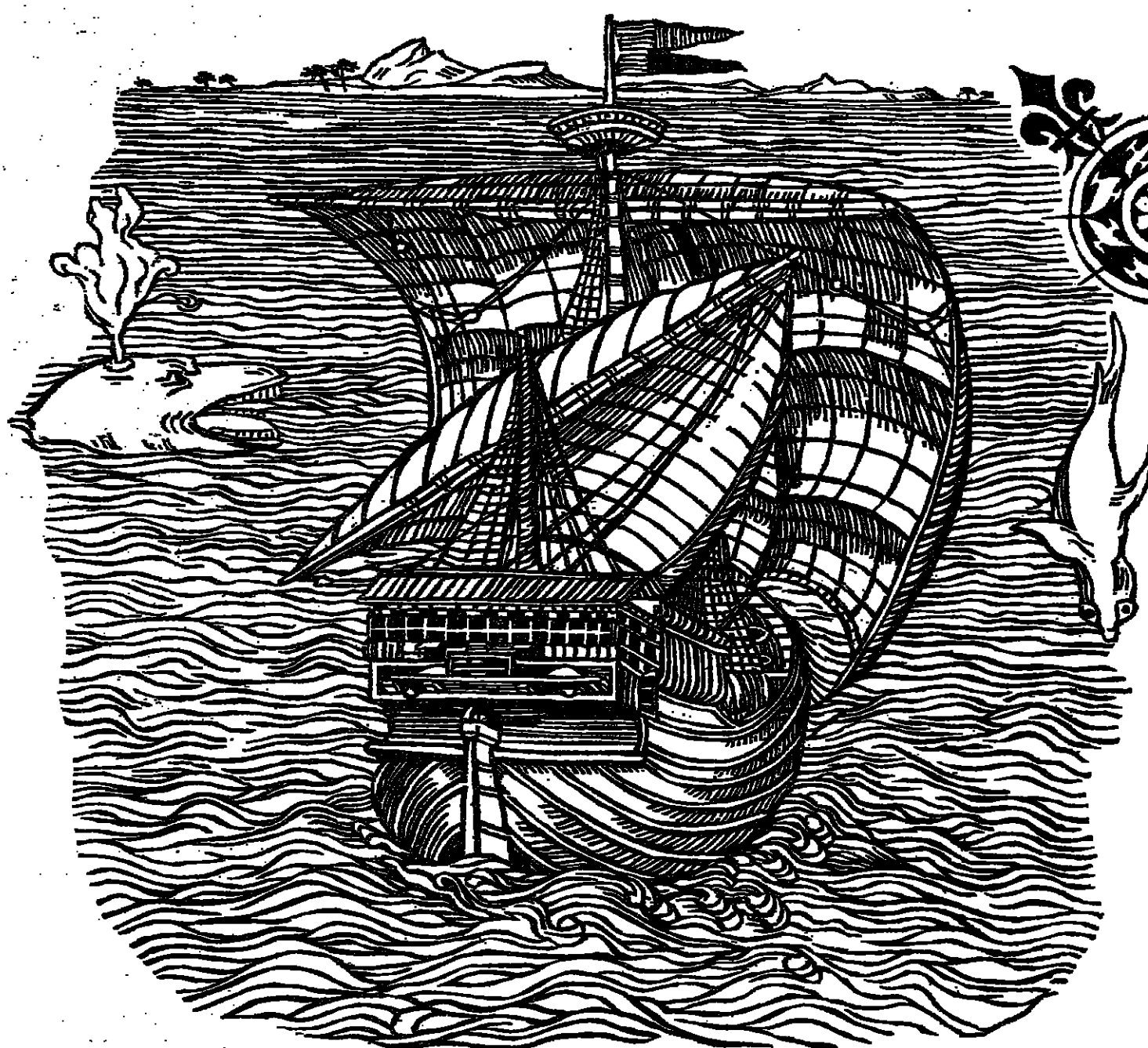
Finally DIY has come to stay in Japan. The word itself has been absorbed and specialist centres are starting to spring up. It must be kept in mind that Japanese DIY will develop along different lines than the European and U.S. concepts since Japanese living styles are still cramped. That does not alter the fact that a DIY market of about ¥140bn existed in 1977 with demand expected to reach ¥194bn by 1985. About 5 per cent of DIY equipment is imported with good prospects for such varied items as fillers and sealants, model kits, art materials, wallpapers and needle work materials.

Apart from leisure proper, Japan is fertile territory for fast food chains, tourist hotels and even British-style pubs — all fields in which foreign business can and does get involved. The central point, however, is that if today's Japanese work hard they also play hard, with results that can be very profitable for all concerned.



A Japanese businessman checks out some of the sports goods Britain has to offer.

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On April 8th the first of our new scheduled flights to the Philippines will land in Manila.

A journey of nearly 8,000 miles that will take our comfortable, wide-bodied TriStar approximately 16½ hours.

It's a far cry from 1521 when Magellan, during the first round the world voyage, decided to drop in and visit the locals.

Paradise Lost.

Magellan himself didn't last long in the Philippines.

The unfortunate fellow was killed while helping one Filipino group fight another.

But his discovery of the islands led to Spain moving in and setting up shop on a more permanent basis.

The Spaniards loved the place.

Especially the gold and silver they had seen the tribesmen wearing as jewellery.

Talk about gold fever.

They stayed on in the islands for the next 300 years. Right up until 1898 when they were finally given the heave-ho.

Uncle Sam in Paradise.

Spain's hasty exit was the result of a group of Filipinos who by now were tired of the Spanish ruling their roost.

They fought alongside the Americans in the Spanish-American war of 1898, to rid themselves of their unwanted guests.



But the delight of the Filipinos at saying goodbye to the Spaniards soon dissolved when they realized the Americans had taken a fancy to the islands. And for the next few decades they had to share them with Uncle Sam.

To be fair though, the U.S. did help the Philippines develop into a modern nation.

They not only brought roads, railroads, schools and doctors to the islands. They also gave the people ideas about democracy.

Then, in 1941, right out of the blue, the Japanese called by.

Paradise Regained.

The men of Japan outstayed their welcome for 3 years. Until they were finally persuaded to leave by the Americans.

At last, in 1946, the U.S. gave the Filipinos the one thing they hadn't enjoyed for many a year.

Independence.

Looking at the Philippines today it's no wonder that so many people wanted the place for themselves.

This dazzling chain of 7,107 islands stretches for over 1,000 miles in tropical seas.

And is jam-packed full of wonders.



Old Castilian towns, stunning aquamarine life and a fantastic array of exotic fruits and vegetation.

Not to mention countless sun-drenched beaches. (It's enough to give you a sun tan just thinking about it.)

Known as the 'Last Great Bargain of the Orient' the Philippines is also a delight for people who are weary of V.A.T. and inflation.

Manila, especially, is a treasure-trove of shops selling goods at give-away prices.

All of which is tempting in the extreme.

If you've never been to the Philippines we'd like to show it to you in all its splendour.

If you've been and are going back, be it on business or pleasure, why not be our guests.

After all, if history is anything to go by, we're going to be in the islands for a long time to come.

Now it's our turn.



British airways

We'll take more care of you.

SUBJECT TO GOVERNMENT APPROVAL

UK NEWS

Board mill closure makes 800 idle

BY JOHN LLOYD

THAMES BOARD, the cardboard manufacturing subsidiary of Unilever, is to close one of its two board mills at Purfleet in August, with the loss of 800 jobs.

Production at the South Mill, opened 80 years ago, is largely of corrugated board, which has suffered severe competition from cheaper kraft liner imported from the U.S. and Scandinavia. The mill has been running at a loss for some years.

Production is being consolidated in the North Mill, which employs around 750 people and produces a range of carton boards, for which the market is better.

Discussions have now begun with the major unions, including the Society of Graphical and Allied Trades, the Amalgamated Union of Engineering Workers and the Association of Scientific, Technical and Managerial Staffs.

Mr. John Chowat, the ASTMS divisional officer, complained yesterday of lack of consultation, and said the union will "strain every nerve" to protect its members.

He said that Unilever was relocating production "in a manner which disregards the tragic consequences for employment in South Essex."

Thames Board has recently made an £83m investment in its plant at Workington, Cumbria, which will triple its output of high-grade duplex board from 50,000 to 150,000 tonnes a year.

The company said yesterday that once a new machine had been installed later this year, some more labour would be required. It is thought some 255 jobs will be created at the plant and a further 350 in the forestry industry as a direct consequence of the expansion.

The Workington plant had a £10.5m investment grant for the project approved by the previous Government, with nearly £20m regional aid.

Statistics slim-down to cut costs, save time

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ALL THE statistics collected by the Departments of Trade and Industry are being reviewed as a step to reducing both public expenditure and the burden of form-filling, especially for small companies.

This has been disclosed by Mr. Laurie Berman, the director of statistics for the

two departments, in their weekly journal, now called *British Business*.

He says: "One unavoidable aspect of this review is that it will not be possible to give as much weight as previously to the statistical needs of industry. Much of the detailed information useful for industry but often not required by the Government is expensive to collect, and in

future it will only be provided when the marginal costs are small."

The Government is reducing its own demands for statistical information from business wherever possible. In some cases information now collected monthly will in future be collected quarterly, some surveys will be slimmed down and others stopped altogether.

The proposed shops inquiry for 1981 has been abandoned. The small quarterly export prospects survey and the annual inquiry into firm distributors have been stopped. The short period inquiry into manufacturers' stocks, which was partly monthly and quarterly, has now been put entirely on a quarterly basis. Mr. Berman says other possible areas of savings are

being urgently investigated, and other statistical surveys are likely to be reduced in scope or dropped. A major saving in resources will come from restructuring the system of quarterly inquiries into manufacturers' sales conducted by the Business Statistics Office which are relatively expensive to run in manpower terms.

"The proposals is to reduce

the number of companies covered in the inquiries by about a third by selectively raising the levels of employment below which companies are exempt from these inquiries. This will lead to some loss of quality and product detail."

The detailed implications are being discussed with a wide range of trade associations.

Capital spending by industry in 1979 shows 4% rise

BY DAVID MARSH

CAPITAL spending by industry last year increased by 4 per cent on the year before. Manufacturing investment barely changed while spending in the service and distributive industries was up 8 per cent.

Commenting on yesterday's figures, Industry Minister, Lord Trenchard, said it was "surprising and encouraging" that capital investment was holding up fairly well.

Manufacturing investment, however, fell sharply in the fourth quarter, reflecting a gloomier economic outlook. For this year, the Industry Department is forecasting a fall in manufacturing spending of 6 to 10 per cent, according to its

latest survey of investment intentions. A downturn in manufacturing activity, in line with the expected recession, was also indicated by the department's figures on fourth quarter stock movements issued yesterday.

Manufacturing stocks fell by a seasonally adjusted £40m at 1979 prices—caused by a reduction in work in progress of about £80m—partly offset by increases of £20m in materials, fuel and finished goods stocks. The fall was the first quarterly drop since 1976. Manufacturing stocks for the year as a whole rose by £332m against £547m in 1978.

A further feature of the fourth quarter was a large rise

in retailing stocks of £181m—double the third quarter rise. This shows retailers are entering 1980 with excessive stocks which might reduce output of consumer goods later this year.

Manufacturing spending in the fourth quarter last year fell 3 per cent compared with the third quarter to £944m at 1979 prices, seasonally adjusted. For the year as a whole, the volume of investment is barely changed from 1978 at an estimated £3.8bn.

However, capital investment in the distributive and service industries, excluding shipping, rose 2 per cent compared with the third quarter to £1.31bn. This took investment by this

group of industries to £5.09bn for the whole year—8 per cent up on 1978.

The marked difference in the pattern of spending between the two groups partly reflected the growth of leasing. Capital goods acquired for leasing out are mainly bought by the service industries but are used by manufacturers. This results in an apparent switch in investment to the service industries from the manufacturing sector. Making allowance for assets leased from the service sector, the department estimates that manufacturing investment last year, instead of remaining unchanged from 1978, rose by about 1.3 per cent.

Mortgage queue 'almost gone'

BY RAY MAUGHAN

THE CHAIRMAN of Britain's largest building society, the Halifax, said yesterday that the queue for mortgages had virtually disappeared.

Sir Raymond Potter said the north-east and Scotland were exceptions to this trend. He felt it was too early to say whether high interest rates were deterring would be purchases but the society's hopes for an early fall in rates had been deferred. Sir Raymond said the Halifax

expects to increase its lending by around 10 per cent this year. It had advanced £1.82bn in 1978 against lending of £1.65bn in the previous year, and the society has started this year with reasonably strong liquidity of 17.7 per cent, marginally down from the December 1978 level of 18.2 per cent.

The society's assets grew by 17.6 per cent last year to £8.94bn per cent, an increase of more than £4m each working day, and

the ratio of withdrawals to receipts was very much in line with the average of the past few years at 70 per cent. The consequent net investment inflow was a record £1.29bn.

The number of new mortgages granted last year fell by 3,500 to 146,400. Lending to first time buyers fell by one point to 46 per cent of the total but borrowers under 25 years old accounted for 25.6 per cent, against 22.8 per cent.

'Yankees' investment potential

By Christine Moir

UK PENSION fund managers should consider investing some of their funds in the U.S. dollar bond market, said Mr. Roger Freeman, London partner of the Kuhn Loeb Lehman Brothers, a major U.S. investing bank.

There could be occasions when the interest differential between UK and U.S. fixed-interest stocks of the same maturity might be worth considering after allowing for currency translations and the exchange risk, he said.

In particular, fund managers should look closely at UK Government "Yankee" bonds—the Government's dollar-denominated borrowings. There were occasions when an equivalent UK gilt might not yield as much as a similar UK Yankee.

Addressing the National Association of Pension Funds investment conference in Eastbourne, Mr. Freeman said another reason for investment in this market was the off-shore risks in parallel sterling-dollar swaps which had been taken out by many funds to finance property investment during the late 60s and early 70s.

One way of minimising currency risk was to buy a Yankee bond maturing on the same day as the swap.

Strikes threat over plan to axe vehicle licensing offices

BY NICK GARNETT

THE GOVERNMENT intends to reduce the number of local Driver and Vehicle Licensing Offices from 31 to 50 with the loss of 1,000 jobs as part of its general cost-cutting exercise.

The Department of Transport said yesterday the proposals were being put to the unions but the Civil and Public Services Association accused the Government of failing to consult or even advise it of the closures.

It warned of probable industrial action in licensing offices and at the licensing centre in Swansea. This action could start with one-day walk-outs from today.

The closure programme is to cover the period up to 1982, with the transfer of work to post offices beginning in June this year.

Already, 2,000 post offices handle three quarters of vehicle licence renewals and the intention is to increase the number to 3,000. By October next year post offices will be dealing with

the great bulk of renewal re-miner work.

For the time being, post offices will not handle first registration work, applications for heavy goods vehicle licences and postal applications from the London area.

Mr. Norman Fowler, the Transport Minister, announced in the House of Commons in November that 100 administrative posts in vehicle and driver licensing had already been lost and that savings of a further 1,000 jobs had been identified. The office closures apply to those jobs.

The CPSA said Mr. Fowler had promised to consult the unions but had failed to do so and information about the proposals had simply trickled out.

Some areas particularly Scotland and the north, where there was high unemployment, would be badly affected.

Mr. Peter Thomason, union national officer, said the minister had broken a promise to staff and could not be trusted.

Mirror man is named as top journalist

FINANCIAL TIMES REPORTER

JOHN PILGER of the Daily Mirror has been named Journalist of the Year in the 1979 British Press Awards for his reports from Cambodia. He will receive a prize of £1,000.

Melanie Phillips, social services correspondent of The Guardian, is named as Reporter of the Year for her interpretation of how Whitehall policies affect the public. She and the winners of all other categories will receive £250.

The award for International Reporter of the Year goes to Robert Fisk of The Times for his despatches from Iran. Peter Browne, of the Chronicle and Echo, Northampton, is named Provincial Journalist of the Year for his reports on Northampton schools. Steve Letter of the Buckinghamshire Advertiser gets the Young Journalist award for his reports on the routing of the M25 motorway through his locality.

The Specialist Writer of the Year award goes to Angus MacPherson, defence correspondent of the Daily Mail, principally for his series on NATO's preparedness. The Sports Journalist award goes to John Arlott of The Guardian. Sam White of the Evening Standard—"in a class of his own"—is named as Columnist of the Year. Anthony Burgess of The Observer is Critic of the Year.

John McCrick of The Sporting Life is named as Campaigning Journalist of the Year for his exposure of after-time betting on the Tote. A special award of £250 goes to David Leigh of The Guardian for his reports on "jury-vetting" and telephone-tapping.

Graham Wood of the Daily Mail is Photographer of the Year and Kent Gavin News Photographer of the Year.

The contest is organised by Mirror Group Newspapers in collaboration with a number of other newspapers, among them The Financial Times. Mrs. Margaret Thatcher will present the awards at the Savoy Hotel on April 16.

Westland may enter civil market

BY LYNTON McLEAN

WESTLAND HELICOPTERS, a subsidiary of Westland Aircraft, Britain's only military helicopter manufacturer, may enter the civil helicopter market.

Westland Aircraft's board is expected to take a decision soon, perhaps in the next six months. Any move into the civil helicopter market would bring Westland into direct competition with a number of established civil helicopter manufacturers including Sikorsky, Bell, Hughes and Boeing of the U.S., Aerospatiale of France, Agusta of Italy and NBB of West Germany.

An attempt to capture part of the civil market for helicopters would also radically change the nature of aerospace production work at the company's factories.

The civil market demands low cost products produced in high volumes, in contrast to the low volume, high cost of the military helicopters the company has specialised in. Its cost in 1978, when helicopter production lost the company £3.5m.

The loss contributed to an overall loss for Westland Aircraft of £2.85m, and has been attributed largely to uneconomic fixed price contracts with Britain's Defence Ministry for the supply of Lynx helicopters.

The most likely project to launch Westland Aircraft into the civil helicopter market is the WG-30 transport and utility helicopter. This is a privately funded development of the military Lynx and was down for the first time on April 10 last year, ahead of schedule. Westland Helicopters has so far invested over £10m in its development.

The helicopter is designed primarily for military transport, but is understood to be able to carry between 17 passengers and 22 passengers in the civil role.

Two prototypes have been built and flown. Westland Helicopters has also started work on a production batch of approximately 20 WG30s, although the company has won no orders. The implication is that the company is building for stock in the hope that it will readily establish itself as able to deliver on time, if and when it enters the civil market. The production models are expected to be available for customers from 1982.

The company is also still working on the WG34 replacement for the Sea King military helicopter, made under licence from the U.S. Sikorsky corporation.

The project definition stage is currently being funded by the Defence Ministry and Elm is expected to have been spent by the time the initial project is finished at the end of April.

Westland Helicopters has had "extensive discussions"—which are still proceeding—with the Anguilla Company of Italy for a joint collaboration on the WG34 programme.

Annual meeting, Page 18

Silver demand continues

SILVER continues in good demand in the salerooms with Sotheby's making £236,145 at an auction yesterday. The top price of £14,000, plus 11.5 per cent in buyer's premium and VAT, paid for an 80-piece George III Coburg pattern table service by Paul Storr, was double the forecast and a George II square salver by Edward Cornock was also above estimate at £9,500.

Shrubsole, the London dealer, paid £9,000 for a William III Monteth bowl by Robert Timbrell and an Irish collector gave £8,000 for a George III 22 carat gold Irish freedom box of 1785, with the arms of Earl Fitzwilliam.

Books from the Library of Lincoln's Inn made £31,278. The best price was the £3,900 for 78 volumes of Dutch books about

antiquities published around 1700. Among the watercolours, "Fishing boats at Whitby" by George Weatherill sold for £800.

In the sale of bonds and shares at Phillips, a 1905 Japanese Government bond, sold in

SALEROOM

BY ANTHONY THORNCROFT

Germany, made £2,100 and a 1908 Chinese Government gold loan bond went for £1,000.

An antique silk Heriz carpet sold for £32,000 at a Christie's sale of Eastern rugs and carpets. An antique Kashan Mochtasheh carpet made £8,500; a similar prayer carpet, £7,500, and an antique Senna rug, £7,200.

Diving bell safety code

THE Association of Offshore Diving Contractors yesterday revealed their code of practice for emergency diving bell recovery which will be mandatory on all its members.

It was produced after consultation between diving companies, Government departments and oilfield operators and follows the recent deaths of four divers in two diving bell accidents in the North Sea.

The instructions in the code relate to adequate amounts of breathing gas necessary while a bell which has lost its gas supply is being recovered, and the maintenance of necessary warmth in a bell for 24 hours.

It also states that all diving bells will be equipped with wireless through-water communications in addition to their

hard wire system. A means must be provided to locate accurately the position of a lost diving bell.

Bells with lift wires and ballast weights must meet legal requirements. An additional means of recovery must be incorporated in the bell's retrieval system. All bells must have external weights which, when released, make the bell positively buoyant.

A meeting of diving contractors and acoustic equipment manufacturers in Aberdeen yesterday agreed that a new safety frequency for diving bells would be 37.5 kilohertz.

Commander Jack Warner, UK chief diving instructor, said the new frequency may well be accepted as an international diving bell safety frequency.

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|------------------------------------|-------|--------|----------------------------|
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| Honolulu | 14:00 | 16:35 | |
| Houston | 14:40 | 23:40 | Connection via Los Angeles |
| Los Angeles | 14:40 | 21:35 | |
| Miami | 11:15 | 13:25 | |
| San Francisco | 12:10 | 15:10 | Wed Fri Sun |
| Washington | 12:10 | 17:45 | Mon Tue Thu Sat |
| Seattle | 11:00 | 16:55 | Mon Tue |
| Portland | 12:25 | 16:45 | Wed Thu/Fri/Sat/Sun |
| *Also Detroit | 11:00 | 17:25 | Wed Thu/Fri/Sat/Sun |
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Effective 16th March all departures from London are one hour later.

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One cut that may herald many more in period of painful rationalisation

BY SUE CAMERON

THE DECISION of HJB Plastics, part of the Courtaulds group, to cut production and halve the work force at its Leicester factory could be the first of many similar moves by makers of packaging film and plastic bags.

The industry seems set for a period of painful rationalisation. The main reasons, those given by HJB for reducing its own operations at Leicester, are spiralling costs, weak prices, strong competition from cheap imports, and fall in demand.

This last is a sign that the much-heralded economic downturn in the West has begun.

Polyethylene film-makers can normally rely on business building up steadily from the end of the summer as retailers prepare for what they hope will be a Christmas shopping bonanza.

Last year the upsurge in orders failed to materialise. In the first two months of this year there has been no compensating rise in sales.

It is not that consumer goods manufacturers have stopped pre-packing their products, nor retailers deciding to do without carrier bags and smaller counter bags to give their customers.

It is simply that fewer shoppers are willing to pay 3p for a carrier bag and anyway some retailers are experiencing poor sales which means there is lower demand for plastic bags and sheets of film. The fall in consumer demand has coincided with a dramatic increase in raw material costs.

The Packaging and Industrial Film Association says that the coincidence amounted to a "formula for disaster" for many smaller, less robust producers.

The cost of the LDPE, low-density polyethylene granules that makers of plastic film and bag use as a raw material usually accounts for about 60 per cent of their costs.

In 1978 LDPE granules could be bought for £260 a tonne. Today they cost well over £800.

LDPE prices have risen by 16 per cent this year.

The rises were caused largely

prices last year which means the granules have hit the fan for many polyethylene film and bag manufacturers.

The industry is fragmented and includes a good many very small operations. Many companies have responded to the fall in demand by keeping their own prices down to keep volume up. As a result, the entire industry has experienced

Price rise of 10% soon

Shell Chemicals plans to increase the price of its polypropylene plastic material by 10 per cent from the beginning of next month. Yesterday the group warned that further price rises "must be expected."

Polypropylene is probably the most versatile of plastic materials. It is used to make bottles, domestic utensils, crates, brush bristles, moulded plastic car parts and specialised packaging film where transparency is important.

This increase takes Shell Chemicals' general-purpose grade polypropylene from £500 to £550 a tonne. The copolymer grade will go from about £545 to £590.

The reason given is "rising cost of crude oil and petrochemical feedstocks."

The company said the increase meant "only a partial recovery of these costs."

Imperial Chemical Industries is known to be looking for higher polypropylene prices, and is thought likely to raise them soon.

by the oil crisis, with its dearer crude and paraffin, the oil-based feedstock used to make LDPE.

Dearer naphtha enabled LDPE producers like ICI and Shell Chemicals UK to put up prices and improve low margins they had suffered for several years.

The spot market price of naphtha has started to fall, and it seems likely that naphtha contract prices will be lower in the second quarter than now.

But plastic material producers are determined to maintain the headway made on their

enormous difficulty in passing on its raw material cost increases to customers.

This has aided its competitors. Competition is from three main sources: foreign producers; bags and wrappings from traditional materials such as paper; and packaging of other plastic materials, notably high-density polyethylene.

High-density polyethylene, HDPE costs more per tonne, than LDPE. Its use in packaging is limited because it cannot be produced in a transparent

form. It is the stronger material.

This means that far more plastic bags can be made from a tonne of HDPE than from a tonne of LDPE, and though thinner, they are as strong as those made from low density.

The film-packaging industry has always relied on LDPE as a raw material because of comparative cheapness and transparency. Now HDPE becomes far more attractive for opaque items such as bin-liners, refuse sacks and carrier bags.

But companies cannot simply switch from one type of plastic to another, because HDPE film requires a completely different technology.

At present domestic producers of HDPE film cannot simply switch from one type of plastic to another, because HDPE film requires a completely different technology.

At present domestic producers of HDPE film cannot meet the total UK demand for it. The door is therefore open for imports.

Most British packaging film-makers produce a wide range of goods. On the Continent they tend to specialise far more.

This has helped make them more efficient and enable them to keep prices down.

Traditional materials, particularly paper, are also making inroads.

Overall, the outlook for UK manufacturers is bleak. Many may be forced out of business, or reduce capacity and jobs.

While the next few years are almost certain to be tough for the plastic film and bag industry, it may well emerge from them in much better shape, without some smaller and less efficient companies.

NCR means computer people who have the measure of your business.

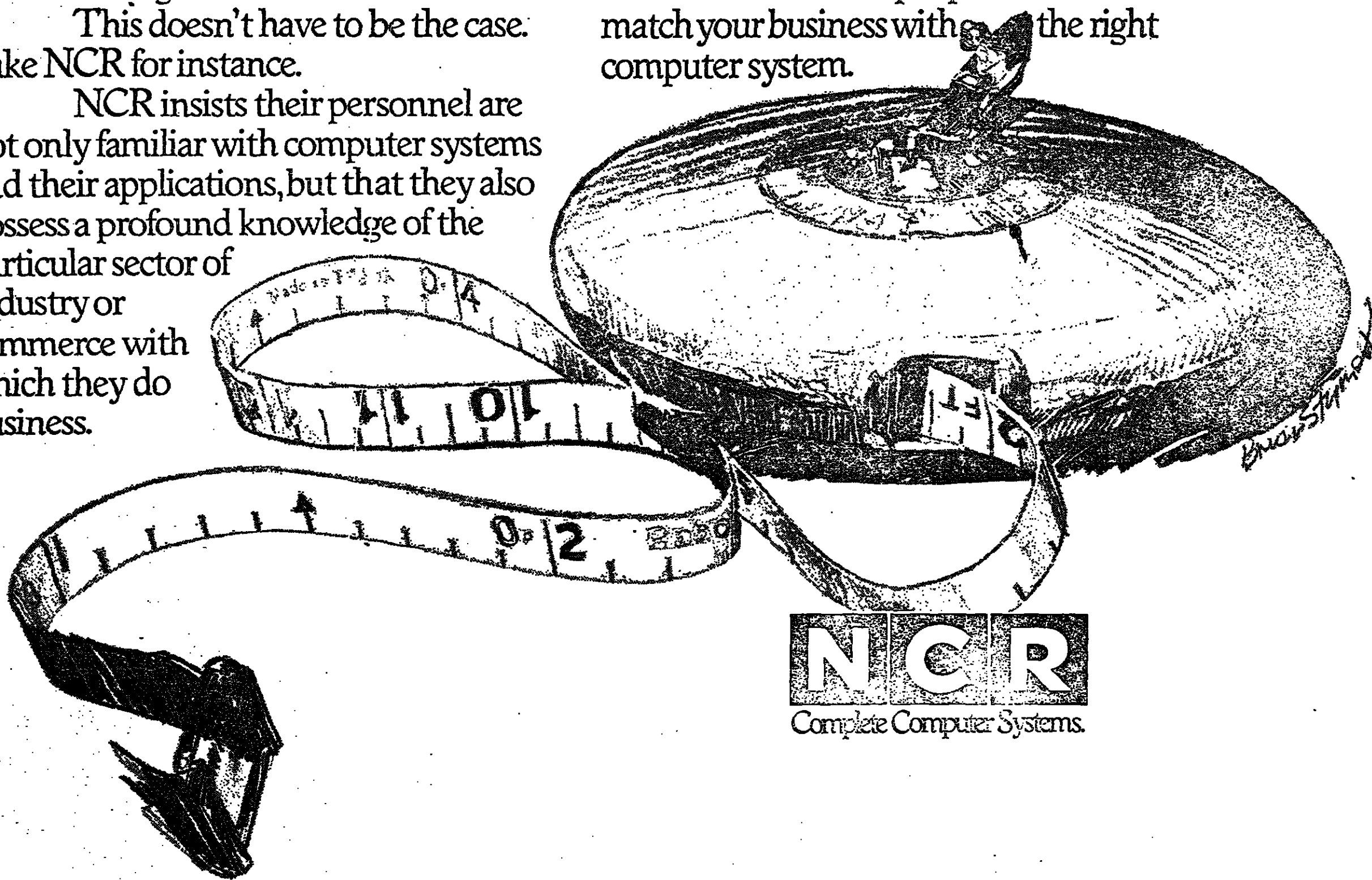
When you choose a computer system, you run the risk of being sold one that doesn't exactly fit your needs. Sometimes, computer salesmen are content to sell you a computer system that only roughly approximates to what you're looking for.

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NCR means people who will match your business with the right computer system.



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Complete Computer Systems.

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So much vegetation did he need to fuel his huge body, he had to eat non-stop round the clock.

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Thus providing a spectacular warning of the dangers of conspicuous over-consumption and total inability to adapt to change.

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With its phenomenal appetite and seemingly rigid design, the motor car could be overtaken by evolution rather quicker than the ill-fated Brontosaurus.

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Take the 3-year-old Audi 100 5 cylinder. One of the first cars to acknowledge that the world did not contain a bottomless oil well.

Outwardly conventional, it was actually a most unusual beast. It contained, for instance, the world's first 5 cylinder petrol engine.

Smooth as a six yet miserly as a four, it looked ahead to a time when the desire for power would have to be reconciled with the need for economy.

A time like now, in fact.

Its shape, the result of 250 hours in a wind tunnel, combined low drag with ample accommodation for five. Thereby saving fuel without sacrificing life's creature comforts.

By using tough plastics when others were still using metal, we cut

weight (and therefore fuel consumption) without losing strength. And in our search for a safer car, we managed to lighten it even further.

Since the Timoshenko girders in the Audi 100 rely on controlled collapse rather than brute strength to repel impact, they are both lighter and safer than conventional girders. Thus we were able to save your spirit while taking care of your body.

And finally, because it was clear that maintenance costs would rocket as oil stocks sank, we designed a car that would give you fewer bills to pay.

With 10,000 mile main service intervals and a six year warranty against rusting through from inside, the Audi 100 looks better today than it did three years ago.

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You may have noticed that the car you see here looks a little sleeker than the Audi 100 you know.

We have, in fact, polished up the head and rear light design, given it a new grill, enclosed spotlamps in the front bumper and wrapped both bumpers round to the wheel arches.

But the basic design we haven't altered at all. That we got right three years ago.

Leaving us free to design today the cars that will survive tomorrow.



The Audi 100 five cylinder.
Audi The car for now.

OFFICIAL FUEL ECONOMY FIGURES FOR THE AUDI 100 5 CYLINDER ARE: 18.5 MPG (8.3 LITRES/100 KM) MANUAL AND 20.2 MPG (8.0 LITRES/100 KM) AUTOMATIC. AT A CONSTANT 56 MPH, 32.8 MPG (8.6 LITRES/100 KM) MANUAL AND 34.0 MPG (8.0 LITRES/100 KM) AUTOMATIC. ALL WHEELS SHOWN ARE OPTIONAL. EXTRA. FOR MORE INFORMATION WRITE TO AUDI MARKETING DEPARTMENT, VOLKSWAGEN (GB) LTD, VEDRANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN.

AND 31.0 MPG (8.1 LITRES/100 KM) AUTOMATIC. AND AT A CONSTANT 75 MPH, 25.9 MPG (8.9 LITRES/100 KM) MANUAL AND 24.3 MPG (8.6 LITRES/100 KM) AUTOMATIC. DIPLOMATIC, INFO AND PERSONAL EXPORT ENQUIRES TO PERSONAL EXPORT SALES, 95 RIVER ST, LONDON W1L 0AB. TEL: 01-486 6211.

UK NEWS — PARLIAMENT and POLITICS

LABOUR

Stormy rehearsal for censure motion

BY JOHN HUNT

A CONFIDENT claim that the Government's economic policies are succeeding was made in the Commons yesterday by Sir Geoffrey Howe, the Chancellor of the Exchequer, when he came under fierce attack from the Opposition.

The Speaker, Mr. George Thomas, had to intervene to keep order, as accusations of "liar" and "hypocrite" were bandied across the floor of the House in a running row over the state of the economy.

The sharp exchanges turned Treasury question time into a dress rehearsal for next Thursday's debate on Labour's censure motion over the Government's economic and industrial policies.

Sir Geoffrey was asked by Mr. Douglas Jay (Lab., Battersea North) whether after nine months in office he was satisfied that his policies were succeeding.

He replied: "I am confident



HOWE: Called a liar

Rebellion still on immigration rules

By Elinor Goodman, Lobby Staff

A SMALL group of Conservative backbenchers are threatening not to vote with the Government when the new immigration rules come before the House for final approval.

In December, 19 Tory MPs abstained when the proposals were first debated and though the Government have made several changes to the detail of the new regulations since then, some of those who abstained last time are threatening to do so again.

The rebels are expected to meet shortly to consider their strategy but some seem to feel that their original abstention may have been protest enough and that there is no point in making themselves even more unpopular with the whips by refusing to vote with the Government again.

The Order, published on Wednesday has already been played against by the Liberals. Mr. Norman St. John Stevas, the leader of the House, was pressed yesterday by both Labour and Liberals to allow another full day for debate.

He told them that he did not think it was necessary to have any more than the one-and-a-half hours normally provided for a negative resolution as MPs had already debated the proposals at length and all the changes made since then reflected the opinions expressed in that debate.

Nevertheless there is considerable pressure for a full debate and it may be that the Government will be persuaded to concede such debate to discussion of the select committee on home affairs conclusions.

Nott defends choice of Stansted

BY IVOR OWEN

A CLAIM by Mr. John Nott, the Trade Secretary, that there is no realistic alternative to the Government's proposal to expand the capacity of Stansted Airport failed to satisfy Tory backbench critics in the Commons last night.

He warned that without greater use of Stansted Britain would be unable to cope with the anticipated expansion in air traffic by 1990 with damaging effects for the national economy.

At the same time, he said, there would be increasing chaos in the London area airports which would make the present peak-time squalor at Heathrow the norm for all the London area airports throughout the year.

Mr. Nott had to contend with repeated interruptions from the Government benches and was bluntly told by Sir Derek Walker-Smith (C, Hertford E.), the longest serving Tory MP, that the case for making Stansted what would in effect be the third London airport had not been established.

Labour and Liberal MPs, who

No exchange rate intervention—Howe

THE Chancellor rejected a suggestion from Mr. Robert Sheldon (Lab., Ashton under Lyne) that the Governor of the Bank of England should be instructed to intervene to keep the sterling exchange rate at a reasonable level.

Mr. Sheldon, who was Financial Secretary in the last

Labour Government, said the Chancellor's exchange rate policy was directly responsible for the very large amount of manufacturing imports, and the difficulties facing exporters.

Sir Geoffrey replied: "The exchange rate is clearly one of the many areas in which

the Government cannot have control.

"The exchange rate is fundamentally determined by market forces. Any sustained attempt to influence that by changes in intervention policy would have adverse consequences on other important aspects of economic policy."

that they are succeeding—yes." But amidst Labour jeers he cautiously added that the Tories had a further four-and-a-quarter years in office and that all sensible economic policies and attempts to restore economic discipline were bound to take a substantial period of time.

The Government should not be judged by its record in the first 100 days or even the first 300 but on its entire period of office.

The assault on the Chancellor's handling of the economy was led by Mr. Denis Healey, Labour's shadow Chancellor, who was in pugnacious form. But it was also clear that some Conservatives were uneasy about the effects of the Government's monetary policy.

Mr. Robert McCrindle (C, Brentwood and Ongar) agreed with the general aims of the Government's economic policy and the importance of monetarism in attaining it. But he wondered if the Chancellor was satisfied that it was being applied with sufficient flexibility and sense of timing. He stressed the need not to undermine the social objectives of the Conservative administration.

Sir Geoffrey assured him that he was entirely satisfied in this respect. There had to be a return to monetary discipline and when that main objective was

achieved the Government could start pursuing the social objectives which all Conservatives were agreed on.

Concern was also expressed about the high value of the pound and the adverse effect it is having on British exports. Mr. Peter Tapsell (C, Horncastle) emphasised that it was important for the exchange rate to be in sensible relationship to the international competitiveness of British industry. He reminded the Chancellor that when West Germany and Japan were faced with the inflow of funds they took direct action to discourage such inflows. The Government should consider doing the same for Britain, he suggested.

The Chancellor told him he understood the concern of those in exporting industry that the exchange rate should be at a level to enable them to compete effectively. But this was affected by a number of different factors including the success of monetary policy. He recalled that the imposition of controls to prevent inflows of capital in other countries had created problems of their own.

There were angry exchanges when Mr. Healey said that the Chancellor should have warned the electorate that it was in for 20 per cent inflation. He claimed that the 17 per cent minimum

Lending Rate would have risen to 20 per cent last weekend if the Government had not intervened by lending £300m to the clearing banks.

There were loud shouts of "Nonsense" from the Labour benches when Sir Geoffrey retorted that the Government was restoring the economy from the state it was in when it took office. He was backed up by Sir William Clark (C, Croydon South) who said it was "sheer hypocrisy" of Mr. Healey to criticise the Government when under Labour there had been a doubling of unemployment, prices, and the national debt.

The Speaker warned Sir William that it was unparliamentary to accuse a Member of hypocrisy. But then Mr. Patrick Carmack (C, Staffordshire South-west) said he had distinctly heard Mr. Healey call the Chancellor a liar.

The Speaker ruled that if this was so it should be withdrawn. After further altercation, Mr. Healey declared that he would never accuse Sir Geoffrey of lying, as he has too little respect for his understanding to believe that he could ever tell the truth.

Defending his policy, the Chancellor said there was no question of excessive monetarism. If interest rates were higher than was tolerable for

industrial prosperity, this was a consequence of public-sector borrowing and spending being too high.

The Chancellor was urged to take action to control the growth of money supply in the light of January's banking figures. But he said it was important not to place too much emphasis on one month's figures. Monetary action would only have effect over a period of time.

The recent action of the Bank of England in relation to the rate of money supply made no fundamental change to the operation of Government policies. The long-term objectives remain the same.

Pressed further on this point by Mr. Healey the Chancellor said: "You should certainly not conclude that the intervention by the Bank of England has been a significant factor in causing changes in the rate of money supply in the last few months."



HEALEY: Called a hypocrite

Tories face Lords' revolt on school transport

By Elinor Goodman, Lobby Staff

THE Government's plans for introducing a charge on school transport could run into trouble in the Lords. More than 30 Roman Catholic Conservative peers are believed to have reservations about even the compromise proposal which Mr. Mark Carlisle, the Education Secretary, produced two weeks ago to minimise the threatened rebellion among his own backbenchers in the Commons. They could be joined by other Conservative peers with rural interests.

Lord Butler, the architect of the 1944 Education Act and one of the party's most revered elder statesmen, is also understood to be unhappy about the provision and might be prepared to support an amendment at the Education Bill's committee stage.

Opposing the 1944 Education Act and one of the party's most revered elder statesmen, is also understood to be unhappy about the provision and might be prepared to support an amendment at the Education Bill's committee stage.

Mr. Carlisle has already served notice that he intends opposing one of Mr. Carlisle's own amendments to the Bill, relating to the provision of nursery education. The Government's business managers are clearly expecting trouble in the Lords when the Bill goes into committee. They have allotted an entire week for the committee stage, which in the Lords is taken on the floor of the House.

The signs are that if they do vote for an amendment on school transport, then the feeling in the Lords might be strong enough for them to make life quite difficult for the Government. Ministers refused to accept their change when the Bill returned to the Commons.

The criticism on the Tory benches of the proposed school transport charge came mainly from the Commons fringes. MPs with rural constituencies—where almost all children have to travel by bus to school—and from Catholic members who are concerned about the additional cost for Catholic parents who have to send their children some distance each day to Catholic schools.

Mr. Carlisle's compromise succeeded in reducing the threatened rebellion to 13 Conservative MPs but even so there is still considerable concern about the proposal on the backbenches.

Parliament's business next week

Monday: Private members' motions; Bill: Outline motion on Social Security Bill.

Tuesday and Wednesday: Companies Bill; Thursday: Debate on an Opposition motion of no confidence in Government economic and industrial policies; Friday: Private members' Bills.

LORDS Monday: Bills report; Education Bill, second reading; Tuesday: Criminal Justice (Scotland) Bill report; Wednesday: Debates on the Financial Institutions Bill (third reading); National Heritage Bill (third reading); Farm and Horticulture Grant orders; Debate on a commercial-size, fast-breeder nuclear reactor.

Union pulls out of power station's lagger dispute

BY PAULINE CLARK, LABOUR STAFF

A SOLUTION to the problems which have bedevilled work on the £560m Isle of Grain power station seemed even further away yesterday when union leaders declared their "withdrawal" from the long running dispute over bonuses for laggards.

Mr. Frank Earl, national officer in the General and Municipal Workers' Union said the 27 strikers involved on the Kent site had been advised by the union to look for jobs elsewhere.

Strike pay was no longer being paid but the union had not withdrawn its support for its members in the dispute. It had called on any other thermal insulating engineers to refuse

employment on the site should it be offered to them.

The union also announced it would be calling a national industrial conference to discuss the events surrounding the dispute. In the meantime it felt that nothing could be gained from any further attempts to gain satisfactory terms for its members.

Contractors

Mr. Earl blamed the failure of the CEBG to meet union negotiators directly for the present impasse following the six month strike on the Isle of Grain.

He claimed that the board had put the union in the position of only being able to talk to the insulation contractors, Cape Contracts, who employed the

laggers. This was like trying to negotiate through a third party, they claimed.

Mr. Earl said it was the CEBG which had adopted "an inflexible attitude" by insisting on a £2.60 an hour maximum bonus for the laggards. The Board was in this way "imposing its will" on the contractors.

"It is now up to the CEBG to break the deadlock since we have withdrawn from the dispute," Mr. Earl said.

The strike over the laggards' bonuses began last August and marks the latest in a series of industrial relations problems on the Isle of Grain.

Completion of what is planned to be the largest oil-powered power station in Europe is already two years behind schedule.

Wage contract law suggested by Prior

BY RAY PERMAN, SCOTTISH CORRESPONDENT

LEGALLY ENFORCEABLE wage contracts might be included in further Government moves once it is seen how the new labour legislation works out in practice, Mr. James Prior, Employment Secretary, said last night.

Such contracts could enable employers to pay higher wages in return for two or three years of guaranteed production. This would be useful in the car industry.

Mr. Prior was speaking on the eve of facing trade union reaction to his industrial relations proposals when he meets the Scottish TUC in Glasgow today.

The unions will be predictably hostile, because the STUC has already made up its mind about the amendments put down by the Government on Tuesday to the Employment Bill now before Parliament.

A conference which will open a campaign against the proposals has been called by the STUC to coincide with Mr. Prior's visit.

The Employment Secretary said last night that he would be prepared to discuss with the trade union movement the way

in which his new ideas on secondary picketing and the closed shop would be implemented, but he could not be expected to change them in substance.

It was important for the country to realise that these proposals were a compromise between the hard line put forward by some sections of opinion and the status quo favoured by the TUC.

They were intended to deal with specific problems and were not a comprehensive framework like the Industrial Relations Act and the Labour Government's "In Place of Strife" had tried to be.

The Government could be more ambitious. But it would risk the collapse of its legislation and democracy, and the future of Britain as a major industrial power could not survive another Government failing in industrial relations.

Mr. Prior said he favoured a step-by-step approach. The present proposals would be followed by a Green Paper this year embodying some of the work on immunities already done by the Government and the CBI.

Transport leaders want protection for BL

BY ALAN PIKE, LABOUR CORRESPONDENT

TRANSPORT AND General Workers' Union leaders are considering their policy on BL in the light of Wednesday's decision by the Longbridge work-force not to strike in support of Mr. Derek Robinson, the dismissed convenor.

Mr. Robinson, a member of the Amalgamated Union of Engineering Workers, lost his job after attacking Sir Michael Edwards's recovery plan to the company, to which the TGWU is still officially opposed.

The TGWU—which commissioned a report on BL from Euro-Finance, the Paris-based firm of consultants—is working out detailed proposals for the way it believes the company should develop. It is planning

a campaign to make the public more aware of the need for rapid action to retain BL as a major element of British manufacturing industry.

TGWU leaders are convinced there must be adequate short-term protection for BL in an import-dominated home market. They have apparently considered campaigning for strict controls on the sale of cars which have not been assembled in the UK, or do not contain a substantial proportion of locally manufactured components, from January, 1982.

The union is also concerned that any partnership agreements between BL and other manufacturers should be intended to lead to the expansion of the British industry.

Welsh pit action might be slow to damage national economy

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE STRIKE threatened for Monday by South Wales miners' leaders might serve to highlight local grievances, but would inflict no major short-term damage on the economy, though it could rapidly hurt domestic coal-users.

Pithead voting began yesterday by the area's 27,000 miners on a recommendation by the union leadership to strike from Monday in protest at the threatened run-down of the Welsh steel industry by British Steel Corporation.

Deep-mined coal production in South Wales is about 8m tonnes a year (108m tonnes for Britain as a whole).

Of this, nearly 3m tonnes is coking coal, 2m smokeless fuels, including anthracite, and more than 2m steam coals used in power stations.

A strike would be felt first in the market for anthracite, the high-quality, naturally smokeless fuel used in home heating. Wales has Britain's sole workable reserves, and production is insufficient for national demand. Some is imported from Morocco and West Germany.

The impact, therefore, on supplies would be rapid, though offset by the relatively mild winter and the fact that half Welsh production is from open-cast sites by civil engineering contractors who would not be directly involved in a strike.

South Wales's output of steam coal is mostly of low volatility, and unsuitable for power stations in general. Much is used at specially-designed power stations in South Wales, most important of

which is Aberthaw, near Swansea.

The Central Electricity Generating Board estimates 1m tonnes of steam coal to be stockpiled in Wales, enough to last 9 to 10 weeks, so a pit strike might not begin to hurt for two months or more. Nor would it prove embarrassing to the National Coal Board in the coking coal market. Because of the seasonal steel strike the NCB has extensively stockpiled coking coal, or tried to use it in other markets.

Prospects

It is hard to quantify the financial effects of a Welsh stoppage on the NCB, but a strike is hardly likely to prove disastrous. South Wales is one of the NCB's major losing areas.

In the last financial year it had an operating loss of £18.9m. Its production had a higher value than any other area, £31.75 a tonne, but cost of digging was £36.10 a tonne, higher than in any other.

Reasons include the geological difficulties; rock faulting, which is particularly bad; the fact that many of the easiest faces are worked out; low level of investment in the 1960s; and the weak state of the coking coal market.

Until there is a substantial improvement in that market, the prospects for the area do not seem bright. The NCB has put in mothballs a plan for a £150m mine at Margam which would have produced high-quality coking coals.

NCB has recently agreed on a £22m subsidy to BSC under which BSC will buy British coal

rather than bring in 1.3m tonnes more cheap imports.

This will safeguard some South Wales production, but the agreement runs only for one year.

A year ago a tripartite group, comprising the Government, the unions, and the NCB, reported that even if the investment then planned yielded benefits in full, South Wales mines would be in substantial deficit by 1988-89.

The subsequent crisis in the steel industry can hardly have improved that picture and has posed a fresh threat to thousands of jobs.

Scottish police arrested more pickets yesterday in Lanarkshire, where 30 were arrested after fighting on Wednesday, writes Maurice Samuelson.

There were six arrests in a group of 70 pickets tried to stop vehicles moving into a private steel stockholder at Wishaw.

Later one man was arrested at a Bellshill plant as police tried to contain about 80 pickets trying to stop laden vehicles leaving.

At Sheerness, Kent, only about ten pickets turned up compared with 1,800 who unsuccessfully tried to halt production at the town's private steel plant the day before.

In Sheffield more talks will be held tomorrow between unions and management. In Redfords, where many workers reluctantly resigned the strike a week ago, the company has repeatedly warned that continuation of the strike may force it to close.

AUEW move on sackings

By Our Labour Correspondent

SENIOR STAFF at the Amalgamated Union of Engineering Workers' London headquarters will meet next week to consider the dismissal of two research officers who prepared controversial material for Mr. Bob Wright, the union's left-wing assistant general secretary.

Staff representatives are expected to seek a meeting with the union's executive when the meeting on Tuesday. They will then meet, probably the next day, to consider their next move.

The two research staff, Mr. Alan Hughes and Mr. Trevor Eward, were dismissed for gross misconduct on Tuesday after preparing material on last year's engineering pay negotiations and the right-wing controlled executive's handling of opposition to the Government's Employment Bill.

Mr. Wright, for whom the research was conducted, will appear before the executive on Tuesday morning.

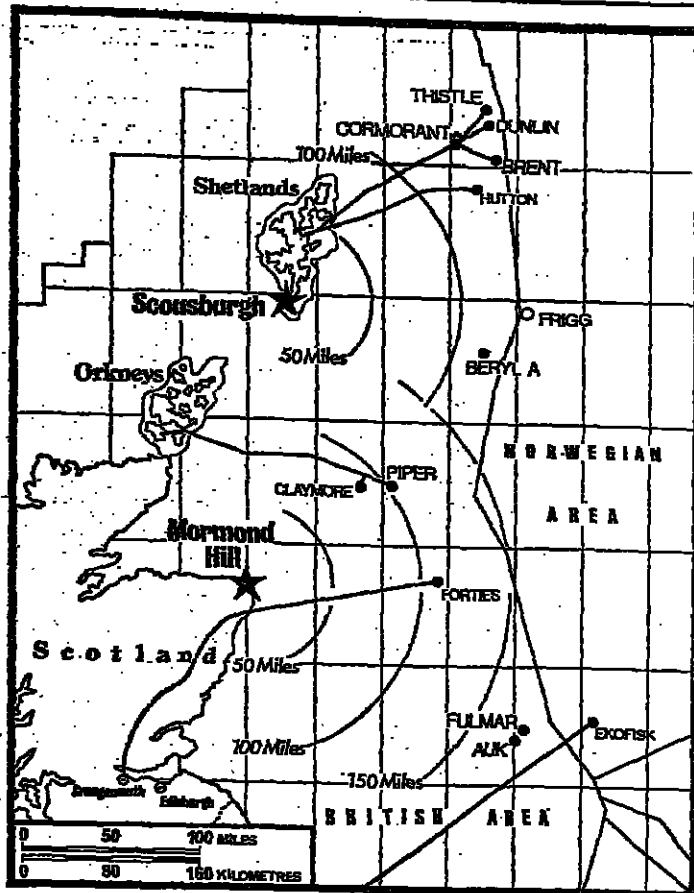
Talbot car plant hit by strike

PRODUCTION is threatened at the Talbot car-engine plant, Coventry, where 200 factory cleaners went on strike yesterday. They mounted a picket to turn away lorries loaded with components.

The men, employed by an outside contractor, are claiming the same pension and lay-off rights as Talbot company employees.

They also claim that the management has failed to keep a promise of the old company, Chrysler UK, to supply overalls and safety boots.

But Talbot said responsibility for any outside contractor must surely rest with his employer. Talks, however, would be held to solve any grievances.



Scotsburgh and Mormond Hill in the map above are the two Post Office shore tropospheric scatter microwave stations that serve oil production platforms in the most remote parts of the North Sea. Mobil's Beryl "A" oil rig (pictured right) was the first in the North Sea to receive an automatic public telephone service in 1976.

ENERGY REVIEW: NORTH SEA COMMUNICATIONS BY ELAINE WILLIAMS

Extending the horizons of the oil rigs

WHEN SHELL'S Fulmar oil production platform becomes operational this year it will be equipped with some of the most sophisticated communications equipment ever used in the North Sea. It will also be, for the first, the most distant platform from the UK shore to be provided with a telecommunications link which allows workers on the platform to telephone and telex almost anywhere in the world.

Good communications with the shore are essential in the day-to-day operations of oil and gas production platforms in the North Sea, one of the most inhospitable corners of the world. Workers on the platform have to send information about daily production figures to land-based terminals, and the computers which monitor the pipelines and assist production operations constantly need to relay to the shore the information which has been gathered. This is in addition to conventional communications for speech, links with ships and helicopters which bring in vital supplies.

All maritime communications are based on radio and for communication between ships and oil platforms the traditional methods are employed. However, the amount of information which daily flows between platforms and the shore would soon congest the radio frequencies which are shared by other users.

The Post Office has spent several years developing a system, at a cost of more than £7m, to improve North Sea communications to allow oil and gas production platforms to connect directly into the public telephone network, just like any other Post Office customer.

To achieve this the Post Office has pioneered in the North Sea the use of an advanced technical system known as tropospheric scatter. This makes use of microwaves, which have extremely high frequencies—so that they can carry a very large amount of information and many individual telephone channels.

But microwaves have a serious drawback. Although they are able to carry easily all the computer data, telephone conversations, telex and even facsimile transmissions simultaneously, like light they travel in straight lines and hence the range of transmission normally extends only as far as the horizon. This is useless for the oil platforms in the central and northern parts of the North Sea which are between 100 and 200 miles from shore. Tropospheric scatter is a technique which allows engineers to stretch the range of microwave communications to 400 miles.

Very powerful microwave signals are projected in a

narrow beam towards the horizon in the direction of the platform from the shore transmitter, or vice versa. The normal turbulence in the earth's lower atmosphere, the troposphere, causes the beam to scatter, in the same way that the beam of a car's headlights can be seen at night when the car itself is out of sight.

Aerials

Although most of the power of the beam is lost, enough of it remains in the scattered beam to allow signals to be picked up by receiving aerials far beyond the horizon. The signals are weak. Compared with the original transmitted beam they are one thousand trillion (million million) times weaker. Powerful amplifiers at the receiver boost the signals to their original strength.

It was in January 1976 that the Post Office inaugurated its international telecommunications service for oil and gas platforms operating 100 to 200 miles from the UK mainland. It allows access not only to the platform's own land base but also to Britain's inland and international telephone and telex network. The Post Office says production staff on North Sea platforms are able to make world wide calls, and send telex messages almost to any country without calling in the operator.

The principle of tropospheric scatter was demonstrated as long ago as 1933 by Marconi. However, it was not until the 1950s that practical systems were developed.

Today its use has been principally for defence, although some civilian systems have been installed. Tropospheric scatter is used to link areas of land separated by mountainous terrain where it is difficult to use conventional microwave systems which need a chain of aerials positioned every 30 miles or so. It is believed that its application in the North Sea is the only such use in the oil industry since most other oil fields are within sight of land. The drawback for tropo-scatter is the fact that compared with conventional microwave—capable of carrying thousands of telephone calls simultaneously—tropospheric scatter can only handle 100 or so. But this is enough to cope with the requirements of oil platforms.

Mobil's Beryl Alpha was the first North Sea platform to be provided with an automatic public telephone service using tropospheric scatter techniques. It lies some 95 miles east of the Shetlands. Since then the number has risen to 15 with others such as Fulmar due to join the network in the near future.

Following the Beryl Alpha platform, Occidental's Piper

platform some 110 miles from shore, north east of Aberdeen joined the service and later Total's Frigg field. In the second phase of the programme ten more platforms joined which included a complex of seven platforms—Shell's platforms in the Cormorant, Brent, and Dunlin fields, and British National Oil Corporation's Thistle platform.

To serve the oil fields the Post Office built two special microwave radio stations on the shore. The first at Mormond Hill in North East Scotland serves the central area of the North Sea while another at Scotsburgh, on South Shetland, links the most northern platforms. These stations are also mutually linked with their own tropo-scatter system. At the platform end of each link, equipment similar to that on shore is installed and maintained by the oil companies or their agents.

Because of the need for high reliability the Post Office has tried to ensure that at least two links to a particular group of platforms is provided. This means that usually two platforms are equipped with the tropospheric scatter system which are the "master" stations for a particular area.

These master stations are linked to all the others in the vicinity by the conventional line of sight microwave system. The master stations operate alternately so that a sudden failure in the equipment does not mean a loss of communications with the shore. It takes only 11 seconds to switch from one to the other. For example, Cormorant A platform owned by Shell has a master station which alternates with the BNOC's Thistle platform in the northern region of the North Sea. Some oil companies have also set up their own tropospheric scatter systems but these are for internal communications on their own private networks.

Feasible

A tropospheric scatter system is also being planned for Shell's Auk platform which is in the central area of the North Sea. On its own Auk would not economically justify such a system. However, the addition of the Fulmar platform only seven miles away makes the investment feasible.

The cost of the initial phase of the tropospheric scatter system for the first four platforms was almost £3m. The Post Office estimates that the total cost, including systems which will become operational up to 1981 will be £10m. This also includes the two systems now under construction to cover Shell's Fulmar field and the Phillips Maureen field. Fulmar is at a distance of 175

miles from shore will be the longest link provided by the Post Office so far.

Tropospheric scatter had not been used by the Post Office as a communications system before the introduction of the Beryl service in 1976, although it had previously carried out experiments using the technique. The Post Office said that it chose this method after considering the alternatives of satellite or submarine cable. It found that satellites and cables were both more expensive. A suitable satellite could not have been launched in time to serve the platforms coming into operation and the cost of launching a satellite, which has a limited lifespan is high. On the other hand, undersea cables face the prospect of damage from the heavy fishing in the North Sea, ship anchors and other underwater activities around platforms, extremely bad weather conditions and a shifting seabed.

Distances

It is only in the central and northern areas of the North Sea that the tropospheric scatter system is provided because of the large distances which have to be spanned. In the southern fields the platform complexes can be served by conventional microwave systems.

For example, both the Leman and Indefatigable fields lying off the East Anglian coast send and receive signals from a single shore based station at Bacton which then connects the platforms into the public telephone and telex networks as provided by the Post Office. In these two fields alone a total of eight platform complexes are served by the direct microwave link because they are within sight of land.

Using both types of microwave link up to 132 individual channels can be transmitted using a single microwave beam. Huge aerials transmit and receive the beam. On the platforms themselves 20 to 30 ft diameter dish aerials are perched on top of 300 ft steel towers to ensure that no obstacles bar the way of the transmission.

Even with the precautions taken to prevent loss of transmission the oil and gas platforms also have several other forms of communications which can reach as far as land such as an emergency link to Post Office coastal stations on lower frequencies than microwaves.

Using the two shore stations for the tropospheric scatter system the Post Office believes that it will be able to meet offshore communications needs well into the 1980s and hold off competition from the growing use of satellites.

COMPANY NOTICES

NEGIT S.A.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 10th ANNUAL GENERAL MEETING of NEGIT S.A. will be held at the registered office in Luxembourg, 10A rue de la Liberté, on Friday, 15th March, 1980, at 12 noon, for the purpose of considering the following Agenda:

- To receive and adopt the Directors' Report and the Report of the Statutory Auditor for the year to 31st December, 1979.
- To receive and adopt the Balance Sheet and Statement of Operations at 31st December, 1979.
- To approve payment of Dividends.
- To grant discharge to the Directors and the Statutory Auditor in respect of the accounts of the company for the year to 31st December, 1979.
- To receive and adopt the nomination for election of Directors and the Statutory Auditor for a new term of one year.
- To ratify the decision of the General Council of 25th September, 1979 which has appointed Mr. Pier Carlo Marengo as a new Director of the company and which has accepted the resignations of Mr. Michele de Michelis and Mr. Ambrogio Schimberni.
- To appropriate the earnings.
- To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The Statutory Auditor will be present at the meeting and will be entitled to vote or give proxies. Proxies should be deposited at the registered office of the company not later than twenty-four hours before the Meeting.

By Order of the Board,
J. WILSON, Secretary

BANQUE NATIONALE DE PARIS

Floating rate note issue of

USD 75 million February 1979/84

The rate of interest applicable for the six months period beginning February 21st, 1980 and set by the reference Agent is 10 1/4% annually.

THE CONVERTIBLE BOND FUND N.V. (Incorporated in the Netherlands Antilles)

Shareholders in the Fund are convened to attend the Annual General Meeting of the Fund to be held on Monday, 17th March, 1980, at 11 a.m. at the office of the Fund at Postbus 15, Willemstad, Curacao, Netherlands Antilles.

The items on the Agenda are:

- Report and Accounts 1979.
- Proposal of a dividend for the year 1979 of 15 cents.
- Resolution of the Members of the Board of Management.
- Shareholders may attend the Meeting in person or by written proxy, which must be deposited at the registered office of the Fund not later than 10th March, 1980.

BY ORDER OF THE BOARD OF MANAGEMENT,
Curacao,
22nd February, 1980.

THE GRESHAM STREET DOLLAR FUND (Incorporated with limited liability in the Netherlands Antilles)

Shareholders in the Fund are convened to attend the Annual General Meeting of the Fund to be held on Monday, 17th March, 1980, at 11 a.m. at the office of the Fund at Postbus 15, Willemstad, Curacao, Netherlands Antilles.

The items on the Agenda are:

- Report and Accounts 1979.
- Proposal of a dividend for the year 1979 of 15 cents.
- Resolution of the Members of the Board of Management.
- Shareholders may attend the Meeting in person or by written proxy, which must be deposited at the registered office of the Fund not later than 10th March, 1980.

BY ORDER OF THE BOARD OF MANAGEMENT,
Curacao,
22nd February, 1980.

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS of Ordinary and Preference Shares will be CLOSED for one day only on 22nd March 1980 for the preparation of the Dividend Warrants. The books will be closed from 12 noon on 22nd March to 12 noon on 23rd March 1980.

W. A. COSGROVE, Secretary.

APPEALS

ANCIENT MARINERS, now sending out distress signals, are cared for by us. Please acknowledge with a gift to the General Secretary, J. H. Moore, Royal Aligned Seafarers' Society, "Weston Acres," Westonsand Lane, Bantstead, Surrey, SM7 2HR.

TRAVEL

GENEVA, Basle, Zurich and Bern, widest choice of cheap flights from a U.K. airport. Brochure, FALCON 01-351 2191.

LEGAL NOTICES

IN THE MATTER OF LEA VALLEY PUBLICATIONS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of March, 1980, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned, Patrick Granville White, of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, as required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 13th day of February, 1980.

PATRICK GRANVILLE WHITE, Liquidator.

IN THE MATTER OF HENDERSON ADVERTISING LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of March, 1980, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned, BRIAN MILLS, of 1, Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, as required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 15th day of February 1980

B. MILLS, Liquidator.

PERSONAL

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brings relief without drugs

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APPOINTMENTS

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• A HIGHLY QUALIFIED ENGINEER is required with a record of success, in a comparable role, at the centre of a major processing company. Broadly based experience of steam engineering, process control and project management is essential. Preferably this will have included managing a large scale operation overseas.

• TERMS are negotiable, based on a high five figure salary plus profit participation. Fringe benefits are very attractive.

Those to whom this appointment would be of interest are invited to write in complete confidence to K.R.C. Slater as adviser to the group.

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MANAGEMENT CONSULTANTS
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Group Secretary/ Legal Adviser

This is a new appointment in a £50m turnover group providing a range of products and services to industry and the public. An active expansion and diversification programme is under way.

• SUPPORTED by a qualified staff, the job embraces legal secretarial and taxation matters, and will require close liaison with outside advisers.

• A SOLICITOR is required with several years commercial or industrial experience gained in the legal or secretarial department of a sizeable public company, or possibly in a large London legal practice.

• TERMS are for discussion with a salary indicator of around £15,000. Location: East Midlands. Age: 30s.

Write in complete confidence
to P. T. Prentice as adviser to the group.

TYZACK & PARTNERS LTD

MANAGEMENT CONSULTANTS
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Chief Executive

Norwich
c.£18,000

The Heatrae-Sadia Group, which has an eight figure turnover, seeks a Chief Executive to be fully profit responsible for the Heating Division. This is the largest Division in the Group and a main board appointment is a near term prospect. Salary negotiable around £18,000 plus matching benefits and relocation expenses.

Candidates, probably aged 38-50, will have proven success in general management and a thorough understanding of the main functions in manufacturing industry. Powers of leadership, marketing skills and drive are essential qualities. Growth prospects are excellent in a soundly financed group.

Please write in confidence to W.T. Agar at 78 Wignore Street, London W1H 9DQ, showing clearly how you meet these requirements, quoting 2104/FT. Both men and women may apply.

John Curtis and Partners

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967

CHRIS MILLER MEDIA SERVICES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 253 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, on Friday, the 14th day of March, 1980, at 11.30 o'clock in the forenoon, for the purposes mentioned in sections 246 and 255 of the said Act.

Dated this 15th day of February 1980.

By Order of the Board,
C. MILLER, Director.

IN THE MATTER OF THE COMPANIES ACT, 1948 AND IN THE MATTER OF S. F. H. (FUELS) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 253 of the Companies Act 1948, that a MEETING of the CREDITORS of the above-named Company will be held at 33, Clifford's Inn, Fetter Lane, E.C.4, in the City of London, on Tuesday 18th March 1980 at 11.30 a.m. for the purposes mentioned in Section 254 of the said Act.

Dated this 13th day of February 1980.

By Order of the Board,
S. JOHNSTON, Director.

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Name _____
Address _____

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

COMMUNICATIONS

Network cuts the phone bill

YET ANOTHER company with nationally spread locations, Norwich Union Insurance, has moved over to an integrated private communications network using leased Post Office lines and reckons to save 20 per cent of the £14m phone bill previously incurred each year by extensive use of the public network.

The scheme, which links the company's three dozen or so branches by private lines, has nodes with switching centres at Edinburgh, Sheffield, Birmingham, London and Norwich. The centres are connected by wide-band circuits and themselves radiate connections to their surrounding regions.

These main and subsidiary links have bandwidths (call capacity) according to present and predicted traffic flows, London to Norwich carrying most of the traffic with a

240 kHz bearer. Telephone Rentals has supplied much of the hardware including the five PDX switching centres costing £1m. Total project cost was £1.3m.

A particular advantage for employees is that in effect all the company's telephones are connected to one large PABX. Staff have desk-to-desk dialling without operator intervention: a user simply dials "7" to get on to the network, a two-digit code to get to a specific location, and an extension number. The network is also connected to a traffic data collection and analysis system, allowing details of telephone usage at each of the 38 remote locations to be seen at Norwich.

Later on this year, 35 data circuits are to be added to give the appropriate staff direct access to the computer at Norwich.

Guiding the tourist

REPLACEMENT of all external directional, information and warning signs at the Tower of London is to be carried out by Bribons Signs of Victoria Road, Burgess Hill, Sussex. Around 450 new signs are involved, and the contract is due for completion in 1980.

The signs will be made from 3mm and 6mm thick sheet aluminium, stove-enamelled black on the back surfaces. The faces will be coated with 3M's Scotchcal non-reflective black pvc film, which provides a non-scratch surface and will either

be silk-screen printed in white, or have diecut letter legends, depending on the amount of text involved. All lettering will be in Baskerville typeface.

Three basic types of sign are involved - descriptive signs for mounting on external exhibits, directional and warning signs (some of which are multi-lingual), and pictorial signs with international symbols for traffic control within the Tower precincts. Many of the signs will be fitted with holders for removable aluminium inserts to enable information to be readily changed.

INSTRUMENTS

Readable from a distance

FOR APPLICATIONS where a display has to be readable at a few yards as in cash registers and other point of sale devices, and in some kinds of instrumentation, Beckman Instruments has developed an alphanumeric gas discharge unit SP-450-018.

Twenty half-inch high characters, each with 14 segments, are visible at distances up to 40

feet. The character structure means that 10 numerals, the upper case alphabet and any special characters or symbols that can be accommodated within 14 segments are feasible. Viewing angle is 120 degrees and the brightness is 70 foot-lamberts.

More from the company at Queensway, Glenrothes, Fife KY7 5PU.



Big bags make handling easier

MANY SHIPPING and distribution organisations have moved to packaging on pallets or in intermediate bulk containers (IBCs) of either the flexible or rigid type. All the systems have advantages and disadvantages.

Now another system has been developed to combine the advantages of small bags loaded on pallets with the attractive features of "bulk" loading in a flexible IBC. This system is

based on "sling bags" and has been developed by Pertwee Industrial of Harbour House, Colchester (0206 43221). The basic idea is to use a stiff fabric bag which can be loaded with, say, 50-kg bags and thereafter used as a flexible IBC. Any size of paper sack can be used.

It is claimed that in many situations, the sling-bag system can be expected to eliminate in-transit waste. The paper sacks can be down-graded which

offers a minor but useful saving to offset the extra price of the bag which is around \$9 for one tonne capacity. If damage to the package occurs during handling, in all except extreme cases, the contents will be retained inside the main outer bag so eliminating total losses.

The sling bag itself can be loaded with one product or mixed loads and it will stack up to five high.

FARMING

Tractor has electronic hitch system

DEVELOPED primarily to meet the needs of North American farmers for more powerful machines is a Massey-Ferguson tractor said to be the first in the world to be fitted with an electronically-controlled three-point hitch system.

This is designated the MF 4840, is rated at 184 kW engine power and will be operated extensively—mainly in eastern areas of the country—before a final decision is made about marketing it in Britain.

Instead of using mechanical linkage to transmit depth of the implement and position control the new system incorporates induction coils to sense draft and position changes and to transmit the signals electrically through a control box to a solenoid-operated lift control valve.

Induction coils sense changing soil conditions and electronically adjust the hydraulic system faster and more accurately than

has ever been possible with mechanical systems, says M.F. Banner Lane, Coventry (0203 465211).

Consequently, the tractor is consistently used at maximum efficiency by precisely matching implement working depth to differing field conditions. Once the implement is set at the desired working depth, the operator simply presses a switch to raise and lower the implement when turning at the headland.

The machine is powered by a Cummins V-8 diesel engine, has an 18-speed transmission provided by a six-speed gearbox in combination with three-speed power shift, and it can be equipped with 1,000 rev/min pto.

Despite its overall weight of 12 tons, says the company, the tractor's tyre equipment keeps the ground pressure comparable with that of smaller tractors. Also, although it has a length

of 6.4 metres, the extreme manoeuvrability of pivot steering enables it to turn in a radius of only 5.2 metres.

Automatic frost warning

GROWERS WHO lie awake at night wondering if their crops are about to be spoiled by a frost or some other environmental problem might welcome a service offered by Castle Alarms Central Services of Rayleigh, Essex SS6 7QD (0268 770393).

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For example, if a thermostat triggers, the transmitter will automatically dial a pre-

PROCESSING

Clean-up on bottles

THERE'S an awful lot of steel to be seen around the factory of one of the world's largest suppliers of beverage packaging machinery at Broadhead, near Altrincham, Cheshire.

Stock-piling has been the name of the game for some months now in anticipation of the steel industry's current hiatus because Barry Wehmiller's new complex must be able to cope with the increasing international demands for its equipment.

Jointly owned by Barry Wehmiller company of St Louis, U.S.A. and Stone-Platt Industries at home (with whom a manufacturing plant at Bolton was shared until recently), the company now has a floor area at Altrincham of 12,000 square metres where production will initially concentrate on heavy fabrication and assembly. (These areas are considered by the company to yield the greatest savings in cost and manufacturing lead times.)

Giant bottling systems, pasteurisers, bottle inspection equipment and conveyors are all produced at the Altrincham site where over 200 people are involved in manufacturing, quality control, marketing, design engineering, customer service and administration.

One of the first facilities to be installed in the new plant was a stores complex designed to stock a comprehensive range of accessories and replacement parts.

At present, much of the parts machining operation is subcontracted to specialist machine shops under the company's tight quality-control supervision but an increasing volume of this work will eventually be brought in-house where there is space for considerable future expansion.

Investment in modern fabrication plant includes a numerically controlled template cutting

machine, automatic pipe welding equipment, as well as materials handling equipment and tooling.

When it introduced its pressurised spray system Vortex in the late 1930's, the company claimed to have revolutionised the pasteurisation of in-bottle products such as beers and soft drinks and it reckons it has since kept pace in a rapidly developing industry.

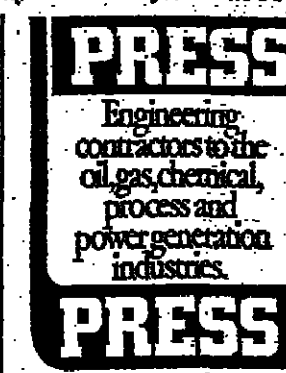
Single and double deck machines handle a full range of container capacities (maximum height 340 mm) from outputs of 2,000 per hour up to 150,000 per hour. These machines are of pre-fabricated tank construction with all mechanical motion derived from a hydraulic system.

Utilising the automatic soak/jet-principle, the Series 20 bottle-washer is a new addition to the company's bottle washing systems and is claimed to make optimum use of water and steam and reduce energy demand.

Fully automatic electronic empty bottle inspection machine, Opti-Scan III, handles a variety of glass bottles up to two litres capacity, regardless of colour, and copes with up to 800 containers a minute.

Believed to be the most advanced bottle scanner in the world is the Opti-Scan IV, said to inspect up to 50 per cent more container surface area than its competitors.

This machine is capable of handling bottles up to five inches in diameter and 14 inches high. It can inspect different coloured bottles interspersed without the need for resetting. Container handling is carried out using starwheels. Faulty or contaminated bottles



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are removed from the flow line by a vacuum system.

Working in conjunction with Opti-Scan is Questron which the company says represents, the most significant technological achievement in electronic empty bottle inspection in 20 years.

All these products will be demonstrated at the International Brewing, Bottling and Allied Trades Exhibition in Birmingham from March 17 to 21 together with a new high-speed single channel bottle sorter.

This employs electro-mechanical and photoelectric sensing techniques to select perfect bottles while rejecting those that are sub-standard at input speeds of up to 600 bottles a minute. Deflection can be by means of contour, dimension, or colour.

With its new complex now operational, Barry Wehmiller says it expects to attain sales of nearly £10m (compared with sales of just over £4m in 1975) in 1980. Much of this growth has been achieved with sales outside the UK because the company consistently exports 70 per cent or more of its production to countries in Europe and Africa as well as the Middle East and Asia.

DEBORAH PICKERING

LUBRICATION

Fewer changes needed

PREVENTIVE maintenance is an area of engineering that, during the past 15 years has steadily increased in importance. It is, however, unusual for an original equipment manufacturer to participate in developing or introducing preventive maintenance measures alongside its own equipment.

Electropower Gears Limited (EPG) of Aylesbury has recently done precisely this. In conjunction with an international industrial lubricant manufacturer, EPG has launched a new long-life lubricant for use in the variable-speed drives manufactured by its subsidiary Disco and Supadex Drives of Kings Lynn. The performance of the oil is such that it totally eliminates the necessity for an

early oil change—so far recommended after 100 hours.

Using the new lubricant, the first oil change is not required until 6,000 hours and thereafter every 6,000 hours. This is a drastic improvement on the 1,500-hour change required by the standard oils used in Disco units and most other variable-speed drives.

The new oil with its 8,000-hour change has a theoretical life of two years. As part of a preventive maintenance programme its use should considerably decrease the required maintenance, save both on down-time and lubricant oil expenditure.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The dispute that gave Ford a painful surprise

Quentin Peel, recently in Port Elizabeth, reports on the volatile progress of industrial relations at the Cortina car plant

WHEN 700 black workers downed tools and walked out of Ford South Africa's Cortina production plant in Port Elizabeth last October, the stoppage took everyone by surprise. The management had believed it had a contented labour force, which recognised the benefits of the sort of enlightened employment practice it had introduced, in keeping with a U.S. multinational in South Africa. The black workers' union, basking in the luxury of company recognition, which is enjoyed in only a handful of plants in the country, was unaware of any burning grievances on the shop floor. The dispute was expected to be no more than a token demonstration.

In the event, it took almost 12 weeks to resolve, cut production at the prestige Cortina plant to less than 20 per cent of normal and cost the company some R12m (£6.7m) in lost output. It sparked off parallel disputes at two neighbouring plants, cost the workers their annual Christmas bonus, and was only resolved after international intervention, and the mediation of U.S. diplomats in South Africa.

The dispute has left race relations between black, white and coloured (mixed race) workers at the factory badly strained. (Each race has its own union.) Twenty workers are still facing prosecution for alleged intimidation, and the most prominent strike leader is being held in indefinite detention by the South African security police under the Terrorism Act.

For Ford, the experience has been particularly painful. The company has been one of the leading U.S. subsidiaries in South Africa to adopt the code of fair employment practices drawn up by the Rev. Leon Sullivan of General Motors for U.S. operations in South Africa. This promotes black advancement, equal pay, desegregated facilities, and the spending of money on improving living con-

ditions in black townships. Ford's liberal stance not only failed to prevent the dispute, it may actually have aggravated it. "In the things we have been doing, we have definitely created expectations in the minds of people far beyond what we envisaged we could do in the short term," said Fred Ferreira, director of industrial relations at Ford South Africa. The company was also caught in the middle of conflicting pressures: between the militancy of its black workers and the conservatism of the whites; between a liberal parent company and more cautious plant management; and between international pressure for change and a South African desire to resist "foreign interference."

The dispute raised vital questions about the operation of any company in South Africa: Will shop-floor militancy increasingly become an outlet for black political aspirations? Will multinationals be a prime target? How can a multinational reconcile the conflicting racial and political pressures? How should it react to labour disputes, whether political or industrial? Should it use, or ignore, unregistered black trade unions? Should it use South African labour laws to resolve disputes?

That the strike was spontaneous, and its cause largely political, is not in dispute. It coincided with a sudden upsurge in political activity in the black township of Port Elizabeth—not only the motor industry capital of South Africa, but traditionally a barometer of black politics. The creation of the Port Elizabeth black civic organisation (PEBCO) last October provided a political voice for the black community for the first time since the mass bannings of black consciousness organisations in 1977. It was the demand by a white Ford supervisor that Thozamile Botha, chairman of PEBCO and a trainee draughtsman at



Members of the black workers' union examine their pay slips after receiving them through a hole in the fence, at Ford's Cortina plant at Strandale, Port Elizabeth.

the Cortina plant, should choose between politics and his job, which sparked the first walkout.

Then the dispute was complicated further by racial issues. The white workers at the Cortina plant held a meeting at which they attacked the company for taking the strikers back, and bitterly criticised the desegregation of facilities like the works canteen, and black advancement.

In turn, the black workers held a series of protest meetings, until the company decided to adopt a tough line, and told the workers if they did not come to work, they would have dismissed themselves. They walked out. The scene was set for a prolonged test of strength between the will of the management and

the solidarity of the black workers.

So far, the issues at stake had clearly been racial and political, and the black union, the United Automobile Workers' (UAW), had failed to play any significant role, in spite of the attempts of Ford management to involve it. The workers bypassed the union," Ferreira said. "The strike was as big a surprise for the union as it was for us."

George Manase, national organiser of the UAW, said the issues were political; the workers ignored union attempts at mediation, and demanded direct negotiations with the management.

The stand-off between workers and management lasted until mid-January. In the meantime, some 200

workers applied to be rehired, sacrificing their accumulated benefits, but the majority stayed away demanding unconditional reinstatement. Finally, according to Ford, the company invited U.S. diplomats from the Consulate in Cape Town to act as middlemen in bringing the two sides together, because they were considered acceptable intermediaries to the workers. The diplomats had been keeping a watching brief on the dispute and had already been in contact with both sides.

The deal that finally emerged from this involvement was presented as a signal victory by the ad hoc workers committee, although both sides gave ground. Ford agreed to reinstatement "subject only to the availability of suitable positions."

Yet the Ford management disregarded the dispute procedure. "We could have invoked the industrial council machinery, but that would almost certainly have resulted in court action against some people," Ferreira said. "We tried to avoid a conflict in which outside forces would of necessity have been brought into the picture."

Ford's own analysis of the dispute underlines one factor. Of the company's four factories in Port Elizabeth, the Cortina plant was the one with the youngest, best educated and most ambitious black workforce. It was also the one with a charismatic leader, Thozamile Botha, who is now being detained by the security police. The situation was aggravated by the widespread black feeling

that often their white supervisors were less well-educated than they were. In addition, Ferreira is convinced that as an American multinational, Ford is seen as an easy target.

Whether Ford has bought itself lasting industrial peace is still uncertain, not least to the management. Both black and white workers are dissatisfied with the settlement. Government Zim for example, chairman of the ad hoc strikers' committee, has been forced to leave his former job as one of the six black production supervisors at the plant, and move to a white-collar job. "The management tells me I played a constructive role in the dispute," he says. "Yet the white man in charge of my former section says I am a terrorist, and refuses to work with me. The management will not face up to him. Can you see why I hate that man who is denying me my job?"

The underlying problem of breaking down white racial resistance to black advancement is unresolved, and possibly aggravated. Not only has Ford raised expectations, but many blacks claim the company has not even lived up to its promises. Black advancement, they complain, has been painfully slow.

"I don't think there is going to be a recipe for peace," Ferreira says. "The general direction we have moved in, of communicating to the maximum extent, of making ourselves aware of the aspirations of people, even if we cannot accommodate them, of recognising the black union—each one of these has a risk in it. But what we have done under the circumstances was correct, and we would do again."

The by-passing of the union is one aspect which clearly worries the company. It is now seeking to encourage better shop-floor organisation and negotiation procedures at all levels. Because the UAW is

an unregistered union, it faced enormous difficulties in recruitment and organisation until it was recognised by Ford. The dispute proved that it is still not regarded as the natural channel for grievances by the workers. The lack of black experience of negotiation is also blamed by management for the union failure. The rank-and-file workers rejected union talk of compromise. Unionists stress that Ford had not really allowed the union to develop into a strong bargaining unit, preferring rather to use liaison committees combining management and union, and thus undermining its support in the workforce.

But attempts to organise representative black trade unions, now operating with Government blessing since the report of the Wiehahn Commission, may be too late, Ferreira believes. "The Government is being overtaken by the black labour movement. By the time the Government is ready to move to where it thinks the black unions are, it will have been overtaken by expectations. We could be continuously offering too little too late."

Certainly black activists are aware of the political potential of exploiting the growing dependence of companies on skilled black workers. "The Ford strike proved the workers have solidarity. The people have realised they do have some power," according to one Port Elizabeth community worker. They are also well aware of the particular vulnerability of multinationals exposed to international adverse publicity. But the black consciousness movements are not well organised among workers, and are still divided with black trade union over tactics. Thus while black workers are certainly growing more militant, they lack the formal channels of protest, and the likelihood of sporadic and unpredictable stoppages, rather than a concerted campaign, is that much greater.

OVERCONFIDENCE... Confusion... Fear (of the law, or of abandoning one's own principles). These are some of the reasons why many companies fail to ask, let alone answer, obviously important questions about their competitors' strengths, weaknesses and future strategies.

So says William E. Rothschild, a senior executive of one of the most competition-minded multinationals in the world, U.S. General Electric.

Rothschild does not mince words. "Many managers who lead profitable businesses tend to be overconfident," he argues in an article published in the McKinsey Quarterly. "Because of their past success in winning the competitive battle, they begin to believe either that the competitor is inept or that they are superior."

Of his second explanation for management myopia, Rothschild says: "Some business managers are simply confused," either about how to obtain competitive intelligence, or about what to do with it. A closely related problem is point three, fear "that the company will be forced to employ illegal or unethical tactics to obtain the data it seeks."

This concern is completely unwarranted, he claims (though not everyone will agree with him). "The strategic data required to make effective analyses are available from legal, ethical and relatively convenient sources. The desire to tell the world and influence investors usually leads competitors to broadcast their investment priorities and strategy in a variety of ways." There are all sorts of outside sources of views and information on competitors, Rothschild adds, ranging from press cutting bureaux to credit reports.

What are the basic questions that Rothschild thinks these

misguided or indecisive managers should be asking, analysing and answering? Seven of the key ones are shown, right. They may seem obvious, but the answers are much less so.

One of the main problems with the first question is predicting who one's future competitors will be. Long before conglomerates came into fashion, with their unpredictable diversification policies, this was always a problem, in that the driving force behind any technical innovation tended to come from outside the industry most affected.

Past and present examples include Edison with incandescent lighting, Marconi with wireless telegraphy, and Polaroid with instant photography. Now that microelectronics is beginning to permeate wide industrial sectors, the problem is even more acute, since competition can suddenly arise in the most unexpected quarters.

To this, Rothschild adds the now classic point about "vertical integration": that the suppliers of components and materials for your finished product may decide to integrate forward and compete with you, for example. Equally, wholesalers or other customers may integrate backwards: Ford and General

Motors both did this in the case of motor industry components. In answering question two, Rothschild emphasises the importance of understanding your competitors' total financial situation, determining whether they have profitable and balanced portfolios, together with identifying any serious problems they may have and the opportunities they are trying to pursue.

On question three, "you should consider how important your industry is to the competitor and what its strategic purpose is. A competitor's commitment may be based on rational judgments or on emotions. On the rational side, it may be the anticipation of growth, strong customer needs, or some unique product or market strength—that is, your industry may be important to the competitor's future growth, earnings performance, or cash-flow position."

"Often, however, emotions play a significant part in decision making. The competitor's commitment may be based on such shallow reasons as: 'The CEO grew up in the industry and is emotionally attached to it,' or 'The business is the core from which the total corporation grew.'"

"Investments are consequently made that are unjustified or even detrimental—such as adding capacity when there is already overcapacity, introducing new expensive modifications prematurely, or cutting prices to gain share in a declining market."

Rothschild considers question four particularly important for its deceptive simplicity. Securing an accurate answer requires detailed knowledge of the competitors' key managers, and of its strengths and weaknesses in innovation, financing, production and marketing.

On production, for example, this involves an evaluation of its efficiency, its cost reduction programmes and the state of its capacity and supply arrangements, "along with an understanding of the competitor's total resources for production—human and material."

One of the most complex questions to answer is obviously the crucial final one: "What will be the effect of all the competitors on the industry, market and your strategy?" Most managers stop

their evaluations too soon, says Rothschild. "They analyse one, two, even three competitors, but because they fail to interrelate their assessments, they never see the consequences of one competitor interacting with another."

enough to continue to invest? 4 What unique strengths do the competitors have? 5 Do they have any weaknesses that make them vulnerable? 6 What changes are likely in the competitors' future strategies? 7 What are the implications of competitors' strategies on the market, the industry and one's own company?

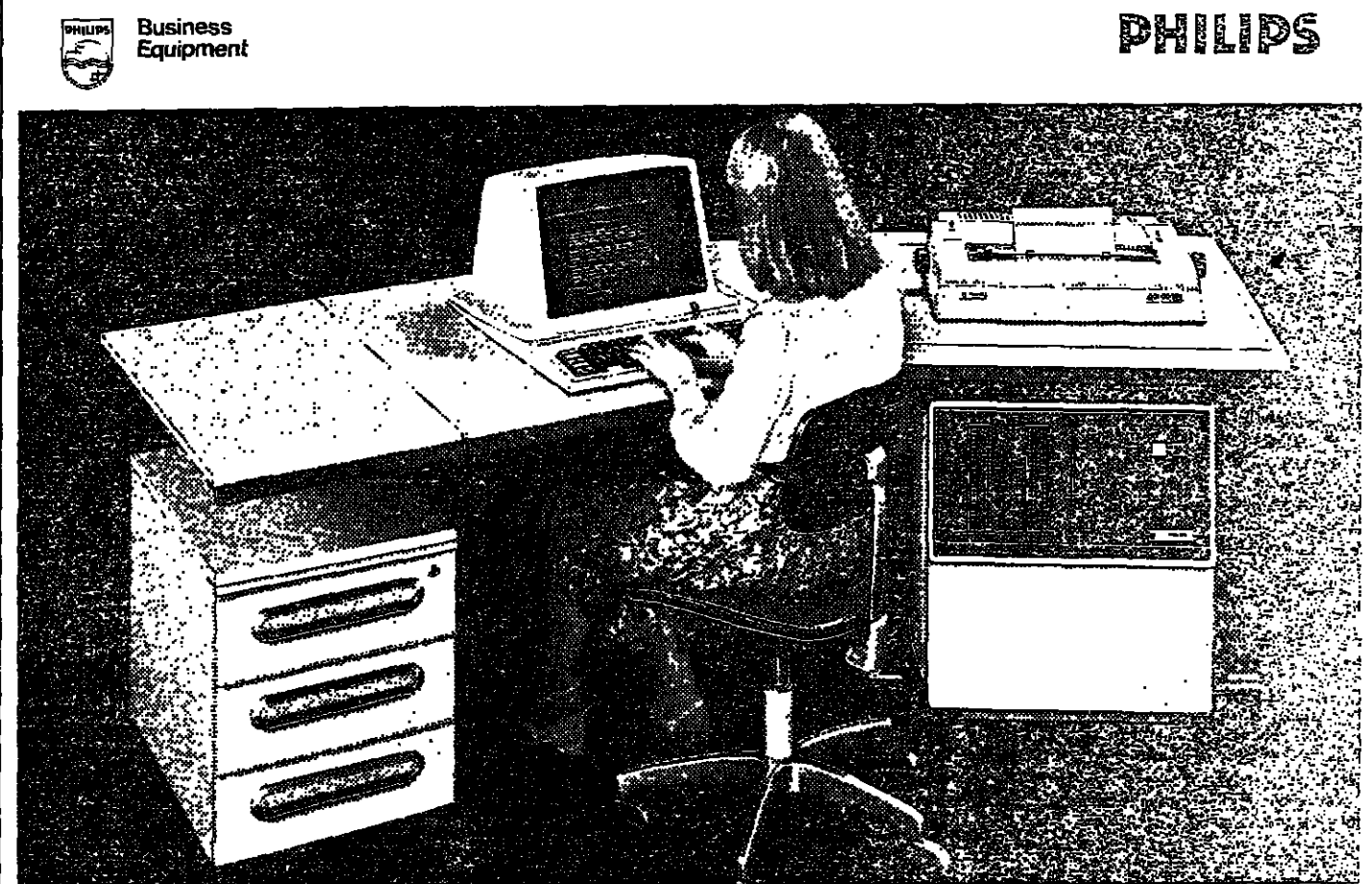
McKinsey Quarterly, Autumn 1979, McKinsey and Co., 225 Park Avenue, New York, NY, USA; 74 St. James's Street, London SW1; and other national offices.

ROTHSCHILD'S KEY QUESTIONS
1 Who is the competition now and who will it be in the future?
2 What are the key competitors' strategies, objectives and goals?
3 How important is a specific market to the competitors and are they committed

Christopher Lorenz

The perils of ignoring competitors

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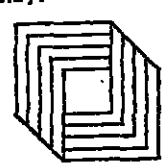
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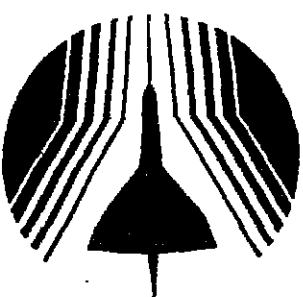
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| Business Travel | 30 April |
| Aerospace (Preceding the FT World Aerospace Conference and Farnborough Air Show) | 26 August |
| Air Freight (Preceding "Air Cargo 80 Exhibition" in Amsterdam and "Air Freight in Action Exhibition" in London) | 5 September |
| Aviation Marine and Defence Electronics (Preceding M.E.D.E. at Wiesbaden) | 15 October |
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THE ARTS

Cinema

A modern period masterpiece

by NIGEL ANDREWS

Black Jack (U) Classic Poly
Messidor (A) Academy 2
Female Trouble Scala

Whatever happened to Kenneth Loach? The silence has been long and deafening from the erstwhile British prodigy who made *Poor Cow* and *Kcs* and *Family Life*, the last of these way back in 1971. Yesterday's white hope of UK cinema has had nine years of reluctant non-productivity in which to lose his shine and start corroding at the edges. It's not surprising that some film-makers in Britain give up on an industry that so consistently allows them to rust away unused. Most of them either pop off to Hollywood or pop back to television if, like Loach from whence they came.

Well, Loach is back on the big screen, and with a British-made film to boot. And if that isn't sufficient reason for dancing in the streets, then the film itself is. *Black Jack* is a British masterpiece. It takes a period adventure novel by Leon Garfield—an 18th Century tale of persecuted children, scheming adults and fairground eccentrics—and embroiders around the story's wittily intricate outlines a stunningly loose and vivid recreation of old England. At a stroke, Loach has discredited and rendered obsolete the old ties and tropes of movie and a television costume drama—the studied postures, the antique-venered speech, the chessboard formality of the mise-en-scène—and made 1750 seem "next-door neighbour to 1980."

From the outset, *Black Jack* is galvanised by the cine-verite immediacy and no-nonsense story-telling that were Loach's strengths with contemporary tales. With scarcely a by-your-leave, we're swept into a Byzantine plot involving a hanged convict's escape from his coffin assisted by the young boy set to guard the "corpse." The convict is the titular *Black Jack*, he is gigantic of frame and French of accent, and he cheats death on the gallows by

slipping a bent spoon down his throat.

During their ensuing, impromptu exploits as highway men, *Black Jack* and Tolly (the boy) come to the rescue of Belle, a young girl mistakenly thought to be mad by her rich family and being conveyed to a lunatic asylum. The coach to a lunatic asylum, the film rolls and rumbles on through the trio's adventures, and through the highways and byways of 18th Century society, every-so-often returning to the narrative's straight-and-narrow of Tolly's attempts to keep the girl from the madhouse and *Black Jack* from the madhouse and Tolly's attempts to keep the girl from the madhouse and *Black Jack* from the madhouse.

Meanwhile, further to confound confusion or enrich richness, there's a travelling fair with whose members the trio links up, and in whose compact, intensified cross-section of humanity—from acrobats to quack doctors, from dwarfs to giants—Loach finds a crazily inspired microcosm of 18th Century society.

How the film looks and how it sounds are two different, but equally miraculous, things. Chris Menges's colour photography creates an old-English dream landscape that is somehow still anchored in harsh reality. In the high-contrast interiors the windows surge with light while the dark corners are sinister and impenetrable. And out in the summer fields the green and ssp-rich beauty of the countryside houses the ragged, tumble-down caravans of the fair. Beauty and penury co-exist in a heady, haunting chiaroscuro.

The dialogue, by contrast, makes a virtue of colloquial, off-the-sleeve banality. The characters talk—unprecedented in period films—not in set sentences but in the vague and ragged parlance of everyday speech. There's a sense of dither and danger, of surprise, of a bracing, funny bathos. In at least one scene Loach makes hilarious capital out of his deflationary approach to dramatic moments. A young boy

from the travelling fair, hearing about Belle's wrongful internment in the madhouse, goes to blackmail the two owners. First the threesome haggle indecisively over the price, then one owner asks his colleague if he has any ready cash, then the colleague has to fiddle around in his wallet—and the scene grows before our eyes from a pragmatic piece of plot-progressing melodrama to a master-cameo of bewildered spontaneity.

Black Jack is a joy of a film: a period tragicomedy in every-day speech and a movie that marks a point-of-no-return for historical drama. You've had to wait a long time for Loach's new movie, but if any film was worth nine years' perplexed impatience *Black Jack* is it. May we be

spared another nine before Loach's next.

From a girl, a boy and a giant adrift in 18th Century England to two girls adrift in modern Switzerland. The latest of Alain Tanner's picturesque parables of Swiss life—he made *The Solamander* and *Jonas*—is *Messidor*. Two teenagers, Jeanne and Marie, meet on the road while hitch-hiking, decide to pal up and travel together, and gradually slip into a taste and a rhythm for living rough, avoiding towns and breadwinning by petty robbery. The chance acquisition of a gun and the casually sudden murder of a man—in self-defence during a rape attempt—soon give them television-wide notoriety as

"terrorists," and ere long they're outlaws and mavericks unexpectedly and unintendedly adrift in Europe's land-of-plenty. Shot in the lush widescreen vistas that Tanner favoured in *Le Miteu du Monde*, the movie resounds quietly and quickly to historical paradigms of rebellion. The title comes from the name given by the post-Revolutionary French calendar to the months of June and July—*Messidor*—and it's a high-summer landscape that the girls travel through. There's also a sense of William Tell redoubt in the gallivanting thumbs-up to organised society that the girls enact as they prance—youthful, raggedly-dressed—through the tall forests and over the green hills.

What the film doesn't resolve is what we're supposed to make of this odd and determinedly apolitical odyssey. The girls are motivated more by whimsically impulsive self-interest than by any crusading, down-with-society zeal, and the movie follows them about with a fascinated neutrality, refusing to praise or condemn, or to edge them towards a militant posture. It's like an emotionally neutralised Bonnie and Clyde, hypnotic but without passion, beautiful without involvement. Tanner's career seems to pendulum-swing between the political hyper-programmed—his films scripted by Marxist John Berger—and the willfully poked-faced. *Messidor* is firmly in the latter camp: you may gaze at its Sphinx-like beauty, but don't expect it to open its mouth too readily to answer your questions.

There's nothing poker-faced, Heaven knows, about *Female Trouble*. Banned by the censor, this bleeding chunk of knock-about notoriety from America will bare itself for your delectation at the Scala cinema, where it's showing under club conditions. John Waters made it. Divine stars in it, and you should see it. It's a mini-holocaust of high-pitch High Camp and slam-bang Bad Taste: with a plot that drags its rag-queen heroine through a Royal Progress of nymphomania, murder, hysteria, near-the-knuckle dialogue and off-the-bone ham acting. It's like Andy Warhol in Sensurround, it's lewdly, jubilantly funny, and if you aren't rolling in the aisles after 10 minutes I'll refund the price of your popcorn.

Publicity boost

The Society of London Arts Publicists (SLAP) was launched this week to co-ordinate the activities of those working to expand the audience for the arts.

Its membership, drawn from performing bodies, venues and funding organisations, plan regular seminars at the Institute of Contemporary Arts to exchange ideas.

On March 15 the subject will be direct mail techniques and on May 13 problems of contractual billing will be dealt with by a panel including Ian Albery, managing director of Wyndham Theatres, and actress Susan Hampshire.

SLAP will also act as a pressure group, representing the interests of publicists to managers, performers, artists and the media.



Clementine Amouroux and Catherine Retore in Messidor.

Festival Hall/Radio 3

Gielen by DOMINIC GILL

After an uneventful, unexceptional account of Mozart's *Haffner Wind Serenade* K388, the BBC Symphony Orchestra under Michael Gielen gave the first British performance on Wednesday of a work by Gielen himself. It was not a new work: written between 1960-63, *Pentaphonic* seems to belong to that numerous genre of compositions of the 1960s which made the most urgent efforts to break away from the restricting techniques of serialism without having any clear idea of where, or what, to break, substituting only other formal devices for serialism—and as often as not, those devices, too, for inner purpose.

As its title announces, *Pentaphonic* is built on five: a central obbligato piano is surrounded by five solo instru-

mentalists, and by five other groups of five players each; five sorts of timbres predominate: the music itself is constructed from a set of five intervals and their inversions. Into this frame, Gielen squeezes—in the manner of the 1960s—a huge quantity of events, some pleasing enough by themselves, and some really quite interesting; but together, as a whole, of no perceptible raison d'être. The tacking on of (part of) a long and very beautiful poem by Neruda is an entirely transparent, but vain, attempt to impose unity and character on a euphoric ragbag of sketchbook scraps.

It was Gielen whom I heard beat the Ensemble Inter-Contemporain in Paris last year through what must surely have

been the most heartlessly and unyieldingly efficient performance of Schoenberg's Chamber Symphony ever to see the light of a concert hall. His finale of Wednesday was Mahler's fourth symphony: not a similarly dedicated performance by any means, but a no-nonsense reading, beautifully phrased and moulded, supremely capable, which even at its most vivacious showed hardly a trace of inner fire or inner light. It was unusual, and in its way, impressive; but I found it difficult to believe in an approach which seemed to have, and to demand, so little engagement—the clearest, unclouded surface, without undercurrent or depth, at its brightest translucent, but never radiant. I left the concert not moved, but intrigued, and puzzled.

The Ballet in Florence

by WILLIAM WEAVER

In the past few years, through the active efforts of Riccardo Muti, with the necessary support of the Teatro Comunale's General Manager Massimo Bogliaccino and its Artistic Director Luciano Alberti, the Florentine orchestra has made great strides, as the *Nozze di Figaro* which inaugurated the winter season amply demonstrated. At the same time, the Comunale's directors have taken steps to revitalise the theatre's corps de ballet, and—as the third offering of the season the company has been seen in two varied, taxing programmes, which have given an adequate (and heartening) picture of the present state of the troupe.

For all Italian opera houses, ballet has traditionally been a secondary concern; but in recent decades the emergence of some undeniable stars—Carla Fracci in Milan, Elisabetta Terabust in Rome, to name only two—has imposed, from below, so to speak, a new attitude. There are also unmistakable signs of a new, growing public for the ballet (and the triumphant success of visiting companies, even the most experimental, confirms this increased interest). So the theatres—at least the most alert, like the Comunale—are giving ballet more attention and, where possible, a larger slice of the budget.

Alan Bates to leave cast of 'Stage Struck'

Ian Ogilvy joins the cast of Simon Gray's comedy thriller *Stage Struck* at the Vaudeville Theatre on March 17 when Alan Bates leaves to fulfil a film commitment.

Also joining the cast are Sheila Gish and James Cossins. Ian Ogilvy was recently seen in the West End playing opposite Penelope Keith in *The Millionaire*.

The standard practice, in presenting a theatre ballet company—the "house" company—is to invite one or two superstars, to add lustre to the evenings. The Comunale, in fact, could boast the presence of Nureyev for the first programme, and Carla Fracci for the second. But, on both occasions, the troupe was also seen on its own, in works especially designed—or redesigned—for them. Thus, on the first evening there was John Butler's *Night piece*, choreographed last June for the Florence ballet; and on the second evening there was the world premiere of *Andante pomeridiano* by Eugene Polyakov, now Florence's maître de ballet. The Butler work, to Berg's *Lyrische suite*, is a nocturne, dominated by Marga Nativio—Florence's prima ballerina—as an ambiguous queen of the night, lyrical and sinister. The work is of no great consequence, but it shows the company off to good advantage. The same, more or less, can be said of *Andante pomeridiano*, to Richard Strauss's *Duetto-concertino* for clarinet, bassoon, strings and harp. Half the girls are dressed in Theda Bara style, the other half (and the boys in shiny body-stockings). The performance was notable for its finish, its ensemble. Here, the protagonist was another leading Florentine dancer, Cristina

Bozzolini (who has a nice touch of irony). In both the works, the deft partner was Francesco Bruno.

Nureyev, returning to the stage after an absence caused by an injury, was in unimpaired form: first in *Apollon Musagète* (Balanchine, reproduced by John Taras) then in the Béart Chani du *Compagnon errant*, and finally in Aurora's wedding, with another guest, Alexandra Radius as the awakened beauty. Here, again, the company had a chance to shine, singly and as a team.

The Fracci programme included *Les sylphides* and the balcony scene from the Prokofiev-Granko *Romeo and Juliet*, with the visiting Jonathan Kelly as the star's partner in both. Fracci, a national heroine in Italy, was warmly applauded (and she was, in fact, excellent, especially in the Prokofiev), but Kelly was received with almost equal enthusiasm, and rightly, for he danced with great style and conviction. John Butler was to have created a new work for Fracci, a *Herodiade* to Hindemith music; but influenza forced him to cancel it. His version of the Menotti *Unicorn*, starring Nativio and Bruno, with the little Maurizio Tameili as the poet—concluded the second programme (and, incidentally, gave the chorus-master of the Comunale, Roberto Gabbiani, a chance to show off a select group of chorists).

Arts Council dance awards

Under its scheme to assist creative talent in dance, the Arts Council has approved dance awards to choreographers, designers and composers, for new works commissioned by professional dance companies.

Among those who receive awards are Karen Rabinowitz, Lenny Westerdijk, Douglas Gould, and Nadine Baylis.

The director of Basic Space Dance Theatre, Shelley Lea, receives a commission fee to

choreograph a work for Emma Dance Company. There is a choreographic commission fee for Karen Bell-Kanner, for a ballet, *The Unicorn*, Gorgon and Manicure, from the music of Menotti.

Christine Juffs, Jonathan Burrows, Jon Croon, Julia Vaughan Lewis, Christopher Norton, and Edward Lambert, among others who benefit from the Arts Council scheme.



Gente, deceptively gente, social observation—to call it satire is to over-labour the point—is a peculiarly English genre; and Sir Gilbert Lancaster is currently its most distinguished exponent. His eye is sharp and mischievous, his jokes funny, and the quality of his drawing matches his wit with an equally idiosyncratic and thoroughly visual felicity, no matter whether it is engaged with the sage of the Littlehampton, the horrors of architecture, or the essential strangeness of Abroad. Until February 28 the Redfern Gallery is full of fine examples of his work.

W.P.

Wigmore Hall

Medici Quartet/Ortiz

The series of British string quartets which the Medici gave in the Purcell Room last November provided conclusive proof that, among younger ensembles, they are now an established, highly accomplished force. Hearing them again on Wednesday in more familiar territory confirmed a great many of their virtues. Schubert's A minor Quartet D 804 began the latest of the Wigmore Hall's "Debenham Concerts"; not by any means the easiest work to bring off, and the Medici did not always succeed in conveying successfully the fragility of its lyricism, but the smoothness of the ensemble and the confident, broad lines of the argument were quite obviously the result of extended, careful preparation.

Cristina Ortiz joined the Quartet for Dvorak's A major Piano Quartet. The same forces have recorded the work, and certainly the performance was well-schooled. But there was no sense of a positive, imaginative interpretation; the pianist should take the initiative, moulding

and infecting, but Miss Ortiz was content to dispatch the passage work with the minimum of effort and much stridency of tone. Beautiful movements were to be found in the string playing, however: the opening cello solo resisted any temptation to swoon, the violins affecting caressed the interludes of the second movement, only to have the spell broken by the piano's hammered central *Vivace*.

Between the chamber works Miss Ortiz interposed a group of three efflorescent pieces of Debussy, generating much counterfeit excitement. The basis of the performance appeared to be an entirely mistaken view of what works such as "Poissons d'Or" and "Reflets dans l'eau" are. Crystalline outlines disappeared beneath streams of barely connected notes and a hard, unmitigated sound: *L'Isle Joyeuse* fared slightly better, but even here subsidiary detail was indistinguishable from substantive argument and the climax was forced too blatantly.

ANDREW CLEMENTS

Anglo American Coal Corporation Limited

(Incorporated in the Republic of South Africa)

RESULTS FOR THE YEAR ENDED DECEMBER 31 1979

The following are the audited consolidated results of the company and its subsidiary companies for the year ended December 31 1979 together with the comparative figures for the year ended December 31 1978.

| | 1979 | 1978 |
|---|------------|------------|
| Turnover | R800 | R800 |
| | 386 228 | 505 444 |
| Profit before taxation | 106 577 | 87 390 |
| Deduct: | | |
| Taxation—South African Normal | 17 480 | 17 479 |
| —Equalisation | 17 354 | 12 581 |
| | 34 834 | 30 060 |
| Profit after taxation | 71 743 | 57 330 |
| Less: Profit attributable to outside shareholders in subsidiary companies | 6 222 | 4 492 |
| Profit attributable to shareholders of Amcoal | 65 511 | 52 738 |
| Dividends declared: | | |
| No. 112 of 30 cents per share declared August 2 1979 | 7 047 | 5 838 |
| No. 113 of 80 cents per share declared February 21 1980 | 14 095 | 11 276 |
| | 21 142 | 16 914 |
| Number of shares in issue | 23 491 428 | 23 491 428 |
| Earnings per share (cents) | 278.90 | 224.50 |
| Dividends per share (cents) | 90.00 | 72.00 |
| Dividend cover | 2.10 | 2.12 |
| Net expenditure on fixed and mining assets | 57 624 | 71 611 |

The annual report will be posted to members on or about March 18 1980.

DIVIDEND NO. 113

Dividend No. 113 of 80 cents per share (1978: 48 cents per share), being the final dividend for the year ended December 31 1979 has been declared payable to members registered in the books of the company at the close of business on March 7 1980. This dividend together with the interim dividend No. 112 of 80 cents per share declared on August 2 1979 makes a total of 90 cents per share (1978: 72 cents per share).

The transfer registers and registers of members will be closed from March 8 to 23 1980, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about April 17 1980. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on April 8 1980 of the rand value of their dividends, less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries in Johannesburg or the United Kingdom on or before March 7 1980. The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and also at the offices of the company's transfer secretaries in Johannesburg and the United Kingdom.

By order of the board

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

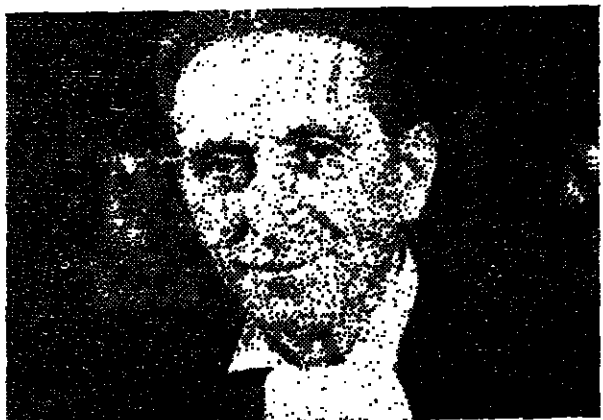
Transfer Secretaries:
Consolidated Share Registrars Limited
62 Marshall Street, Johannesburg 2001
(P.O. Box 61051 Marshalltown 2107)

and
Charter Consolidated Limited
P.O. Box 102, Charter House
Park Street, Ashford, Kent TN24 8EQ
February 23 1980

per: P. J. Eustace
Senior Divisional Secretary
Registered Office:
44 Main Street
Johannesburg 2001

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Have a care for the eighties



MHA's campaign to double its caring capacity by 1990 is gathering pace with plans for developments at Clapham (London), Chester, East Kilbride, Edinburgh, Lancaster, Penrith, Yatton (Bristol), with some other eight locations in the pipe-line.

These plans depend on your support by donations, Covenanted gifts, interest-free loans. Please also remember MHA in your will.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY

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Friday February 22 1980

Mr. Volcker's second try

THE ROAD to perfection is littered with good intentions. Since Mr. Paul Volcker took over as chairman of the Federal Reserve Board, international investors have been confident about the Fed's intentions to control the money supply and quell inflation. But even the latest evidence of monetary tightening, which began with last week's increase in the Federal discount rate, leaves room for doubt about the ultimate destination of the road which is being followed by the Fed.

Courageous

The Fed's decision last October to focus attention on the reserves of the banking system, rather than on the Federal Funds interest rate, was acclaimed as an important stride towards a less inflationary economic order, both for the United States and for the other countries where America's excess liquidity was having an inflationary effect. It looked like a tough and courageous initiative, particularly in a pre-election period and with a recession already on the way. The sharp rise in short-term interest rates that followed the October measures was accompanied by a resiliency in the bond market which indicated confidence in the Fed's ability to bring down inflation, even without much obvious assistance from the Administration on the fiscal side.

It has taken four months for the Fed and the markets to convince themselves that the psychological impact of bold gestures and good intentions is not sufficient to check fundamental economic forces. As U.S. inflation edged steadily higher and money supply continued to swell, it became increasingly apparent in January that the Fed was not putting its new monetary convictions into practice. Whatever officials said in public, the markets became convinced that there was a target range of between 12 and 14 per cent for the Federal Funds rate and that the Fed was prepared to pump additional money into the system if upward pressure on market interest rates threatened to break out of the desired structure.

Now Mr. Volcker has repeated to Congress that he is more worried about allowing further excessive monetary growth than about provoking a recession. He has acted to push up interest rates, by allowing the Federal Funds rate to rise above 16 per cent. But it is still by no means clear that

he is genuinely prepared to follow through the logic of the October measures by abandoning interest rate targets altogether and giving unambiguous primacy to monetary control.

Like all central banks, the Fed is torn between its role as regulator of an orderly banking system and as custodian of the money supply. In the Fed's case the conflict is especially pronounced because of the peculiar legal framework in which American banks operate. The ability of banks to opt out of the Federal Reserve system, the unlimited access that member banks have to the discount window, through which emergency funds are still available at 13 per cent, and the precious solvency of some of the smaller banks, have all tended to thwart the Fed's efforts to control the monetary base. It was perhaps too much to expect the Fed to expose the American banks immediately to the full rigours of widely fluctuating interest rates entailed by monetary control. Indeed accurate control is probably impossible without some form of the anachronistic banking laws.

But the fundamental difficulty the Fed faces is the widespread fear among American voters and businessmen that interest rates are already far too high. As in Britain, the effects of high interest rates on housing costs and hence on consumer prices are attracting attention.

Cash flow

But when inflation is running at over 15 per cent, prime rates of 15½ per cent do not appear excessive, particularly when interest payments are tax deductible, as they are for American consumers as well as businessmen. Positive real interest rates are an integral part of any attempt to control inflation through monetary policy. Unfortunately, the cash flow effects bear particularly painfully on countries such as the U.S. and Britain, which have high inflation, and therefore require nominal interest rates to be extremely high. The German and Swiss central banks have met with less political opposition in driving their interest rates up, to support their exchange rates as the dollar strengthens. But then, it is hardly surprising that a sound monetary policy is easier to conduct when inflation is already under control; a further argument for making the attack on inflation the primary economic goal.

Questions on aid policy

THERE IS little welcome in the Government's statement on British overseas aid. It was good to hear Lord Carrington, the Foreign Secretary, tell the House of Lords on Wednesday that a slide towards protectionism will make us suffer, even if in practice there always seem to be exceptions to such noble sentiments. But on aid itself the government was in general nebulous and, where it did deal with specifics, was largely misdirected.

Bilateral

It is sad that within one week of the release of the report of the Brandt Commission the British government should apparently reject one of its main recommendations—the need for an increased transfer of resources to the Third World. It is even more disturbing that the Government should consider its own review of its aid programme complete before Ministers had even read the Commission's report.

In 1978 British overseas development aid totalled £728m. Three-quarters of this was given on a bilateral basis and one-quarter through multilateral agencies. As a proportion of GNP this amounted to 0.48 per cent according to revised figures. This is above the levels of West Germany (0.38 per cent) and the U.S. (0.27 per cent) but below the 0.7 per cent target adopted by the UN.

The government's emphasis on the need for realism has to be matched with the reality of the problem of the Third World. The government is the first to admit that it has inherited many commitments from the previous administration. Where cuts are possible, they are likely to be severe and particularly hit countries such as Bangladesh and India. One danger is that cutting back on aid tends to breed ill will—as, in an extreme case, the Americans found to their cost in Egypt in the 1950s. A second problem is that increased prosperity in the Third World is essential for its stability.

This last point was emphasised by Mr. Cyrus Vance, the U.S. Secretary of State, when

he pleaded recently in the U.S. Congress on behalf of a proposed aid programme. But the British Government had little to say on this. Instead it said that political, commercial and industrial considerations would now join developmental ones, that bilateral aid would be further tied, that the unallocated aid budget would be increased, and a tight hold would be kept on multilateral aid.

All these intentions are questionable. The political criteria involved change with governments and this one is more concerned with preserving countries within the Western orbit than the nature of their regimes.

Commercial and industrial considerations may sound reasonable, but in practice connecting aid to them tends to do exactly what the present Government does not like, that is distort market forces. Already 70 per cent of bilateral aid is tied to procurement in Britain.

Rural poor

Increasing the unallocated aid fund is also an idea which can be questioned. In practice such a fund means that short-term commercial interests often override sound development planning. As for looking critically at expenditure on multilateral aid programmes, in principle this is sensible. But Britain is locked into a number of programmes and can manoeuvre little. The one-third of the multilateral programme spent on aid through the World Bank group of institutions is on the whole well used. It would be no harm to look at contributions to UN agencies but probably the area which is most debatable—the EEC programmes—is one where least can be changed.

The Conservatives' desire to retreat from the previous government's stress on assisting the rural poor in the poorest countries has been widely heralded. But the nature of its first major statement of its plans has only underlined how much debate has yet to take place. A full parliamentary discussion of the Brandt report would provide a good opportunity for this.

Question marks over jobbers' future

BY CHRISTINE MOIR

VOLATILE one-way markets, contracting turnover in UK equities, less than wholehearted confidence from customers, the hesitant opening of an international role—the British jobbing system is at present in the eye of a commercial storm.

Simultaneously, it is under threat from the restrictive practices legislation. The reference of the Stock Exchange's rule book to the Restrictive Practices Court could mean that a uniquely British creation, the pure trader in financial securities, might be extinct within five years, wiped out by legal fiat.

So powerful are the pressures on jobbers as they enter the 1980s that it is not at all academic to ask whether they will survive the middle of the decade. There is little complacency among the 17 firms which comprise the jobbing community and such optimism as exists is clouded by doubt.

Joker in the pack

The joker in the pack is the court reference. In 1980 or 1983 the Stock Exchange's two basic principles—single capacity, i.e. the absolute separation between jobber (principal) and broker (agent), and a fixed minimum broker's commission—will be scrutinised as potentially illegal restrictive practices. The outcome is far from certain.

Among the jobbers themselves the forecasts range from the wholly pessimistic—"the Stock Exchange hasn't a hope in hell of winning"—to the barely hopeful—"I am marginally confident that we can persuade the court of the need for single capacity." There is not even a consensus as to whether the Stock Exchange ought ultimately to defend its rule book if the outcome looks as if it will be decided purely on a legalistic interpretation of what constitutes a restrictive practice.

Of one thing the jobbers are certain. If the concept of a fixed minimum commission for brokers were ruled to be illegal (the principle believed to be most vulnerable in the court) single capacity would have to go. The pressure from brokers to maintain profitability in the face of reduced commissions would force the Stock Exchange to give them entry into the market as traders in their own right.

Most of the major jobbing firms believe those pressures would spell their demise as pure market traders and force them into the arms of financial conglomerates or absorption by brokers. But there are those among them prepared to admit that such moves are likely only to prolong the agony and who have been told by lawyers at the end of it all there is not much chance of even that august authority coming out on their side.

The managing director of one company currently bogged down in the arbitration quagmire tells me he has been advised that success is "unlikely." The only thing to do now, he says, is grit his teeth and battle on.

Like the managers of the other 11 companies locked in combat with the intransigent Tories, he is growing increasingly frustrated by the cavalier treatment being meted out by the alleged champions of free enterprise. "I reckon it could take about 15 years to sort it out," he tells me. "In the meantime the Government is borrowing from me at 10 per cent and my capital is being devalued by about a fifth each year. At the end of it I shall have just about enough to buy a Kit-Kat."

"It is a banana republic situation but it is happening here. The Government has an admirable system to slow everything down to crawling pace. Whether this is by accident or design I do not know, but it is certainly working."

My confidant, who insists on keeping his name out of print because he already has problems enough, refuses to give in gracefully and accept the Government's lowly offer of compensation. "If I am going to commit suicide," he says with deadly deliberation, "I am going to do it my way, do it slowly, and take as many civil servants down with me as I possibly can."

not rate highly their chances of remaining independent if the Stock Exchange rule book is thrown out in court.

At the other end of the scale—among the smaller firms—there is, on the contrary, a curious lack of concern about the reference. These firms believe confidently in their ability to make a living as specialist traders in limited areas whether competition is increased by the adoption of dual capacity or not.

The lack of homogeneity among the 17 trading firms that fall within the definition of a jobber in their attitudes, pre-occupations and priorities is such as to make a mockery of the frequently heard lament that "the Stock Exchange Council is dominated by the jobbers." It also makes difficult any broad assessment of where the pressures for change are heaviest and where any changes could lead.

There is an enormous divide between the two biggest firms, Wedd Duracher Mordaunt and Akroyd and Smithers which each have a capital base probably in excess of £20m, and the 12 specialist traders such as J. Medwin and Lowry (with six partners) and S. Jenkins and Son (with three). Between these lie Bisgood Bishop, Pinchin Denny and Smith Brothers, in a distinct size class but with more differences than similarities in their make-up.

These differences mean that the survival tactics likely to be adopted if single capacity is abandoned vary widely. Diversification for a jobber, most agree, would not be easy. Some would, therefore, try to become the securities trading arm of a financial services conglomerate.

Others would seek entry to new trading areas such as the Euro-bond or money markets. Mergers with merchant banks are the most frequently mentioned possibility though every firm denies that contingency discussions along such lines are being held at the moment. Some would be tempted to leave the Stock Exchange and operate outside as licensed dealers in securities with possible ventures into new areas of financial services as long-term plans.

Surprisingly none of the firms seems to be preparing concrete plans against an eventual collapse by no means remote. The probable explanation is that jobbers believe there is little opportunity for manoeuvre before the court's attitude is clarified during the hearing. Also, they are preoccupied with even more immediate commercial problems confronting them in the market.

Here again priorities differ widely: problems acute for one firm barely impinge on another. It is no secret that at present Wedd and Akroyd are maintaining their profitability through gilt dealings but Smiths is looking for the new overseas dealings rules to consolidate its lead in gold shares, and that Pinchin and Bisgood

must be suffering because of their dependence on UK equities. The smaller firms have fortunes which vary according to the fluctuations of turnover within the individual sectors in which they specialise.

Within these differences only one common pre-occupation occurs: the volatility of a market which is increasingly one-way for sustained periods. With the decline of the individual investor and the rise of the institutional savings vehicle the two-way traffic which balances buyers and sellers has given way to strong buying or selling trends which strain the capacities of the jobbers whose duty it is to offer a price to any customer.

Mr. Jimmy Bisgood, chairman of Bisgood Bishop, believes this tendency to one-way markets to be the greatest threat to the jobbing system. His view is shared by all the leading practitioners.

The effect is heightened in the equities market by the contracting numbers of deals in recent years. Mr. Val Powell, senior partner of Pinchin Denny, points out that during the 1972 boom the average number of his firm's daily bargains amounted to 8,000. At the height of the 1977 boom the average had dropped to 3,000. Together, one-way markets and contracting turnover create extreme short-term volatility.

The plain fact, as Mr. John Robertson, senior partner of Wedd, candidly admits, is that UK equities have not been adequate "profitable" for some years.

Without the high turnover in gilts which is at present subsidising equities, some jobbers would need to be seriously looking at their equities books and it would be the leading stocks which would loom largest as the least profitable. Those without gilts business are clearly suffering.

Nagging fear

Curiously, however, there are few indications that individual jobbing firms are prepared to stop making a market in any particular stock. Gilts may be the business to be in today but the jobbers share the belief that the equities market shows signs of recovery within a couple of years, and the nagging fear that the gilts market could decline.

The success of the Tory administration's monetary and economic policies is the most ardently debated topic at any meeting of jobbers. If Mrs. Thatcher's policies succeed the Public Spending Borrowing Requirement should fall sharply (jobbers, I remember 1970 when Mr. Roy Jenkins was able to announce a marginally negative PSBR). This in turn would dry up the lucrative living to be made at present through the high turnover in new gilts issues.

primary, says my colleague Jurek Martin, is to renew acquaintance with good old-fashioned "dirty tricks" politics—and 1980, it seems, will not be a let-down.

A central figure, as always, is William Loeb, publisher of the Manchester Union Leader newspaper, the state's biggest daily. Loeb believes, quite simply, that Ronald Reagan is the only conceivable saviour of America, mankind and the planet, and is prepared to offer him his own unique brand of assistance.

Last year, when another Conservative, Congressman Philip Crane, seemed to be making inroads, Loeb ran several prominent articles suggesting that Crane was both a heavy drinker and a notorious womaniser. Now that George Bush has emerged as the main threat, the target has shifted. This week, in addition to the usual daily diet of lurid anti-Bush cartoons and the constant rehashing of an old charge that in 1970 Bush took cash from a secret Nixon slush fund, the union leader ran a front page editorial under the graphic headline "George Bush says go and then expletive deleted yourself."

It told of a purported conversation between the candidate and a doctor in Florida, in which the latter is said to have pressed Bush for his views on abortion rather insistently—to the point where, the paper claimed, Bush let loose the aforementioned expletive. This Loeb trumpeted, was unbecoming of a Presidential candidate and implied he would lose his cool in the White House.

Only hopeful? "Look," he told me crossly, full of proprietorial righteousness, "we hold the freehold and the board's present intention is to reopen." But plans might change? "We have planning permission for offices and residential accommodation, but it is now a scheduled building which would make for difficulties."

One of the fascinations of going up to New Hampshire every four years for the first U.S.

However, most jobbers suggest that a decline in the gilts market because of an improvement in the economy would go hand in hand with a revival in UK equities, stimulated by returning confidence in British industry both at home among individual investors and from foreign investors recognising the advantages of a petro-currency and of reviving industrial output.

If that dream comes true the jobbers will sigh with relief and make real efforts to exploit the new openings for international trading created by the abolition of exchange controls and the relaxation of the Stock Exchange's rules on overseas dealings. If the Tory Government falls or a Labour Government is returned in 1984... the jobbers prefer to draw a veil over such a future.

Meanwhile turnover in equities continues to contract in real terms and morale among dealing staff on the equities pitches is causing concern. A few firms admit to having staff poached by dealers outside the market lured by the promise of high turnover in international equities or fixed interest securities with the accompanying high bonuses.

Yet a curiously ambivalent attitude prevails towards the Stock Exchange's initial moves to widen the firms' access to overseas markets. The rule change has not, of course, been adopted yet and considerable opposition is expected from leading bankers with established international business of their own. But dramatic raids are discounted even if the opportunity is given to the jobbers to compete on international terms.

"We shall have to suck it and see," is the general reply. The smaller firms are constrained by the financial burdens of opening foreign dealing operations and providing back up facilities at a time of high interest rates. The more financially flexible firms expect to start picking up European business and Euro-bond trading but not in any sudden rush.

It is not easy to determine whether this is admirable caution or inertia: the firms in a position to mount major international campaigns are also those making handsome livings in traditional gilts markets. For Smith Brothers, of course, the expanded opportunities in the South African markets will be seized with both hands. Wedd is looking forward to expansion in European and Australian stocks and Akroyd believes it can compete in U.S. markets particularly before the New York opening. But in the main it looks as if the brokers will have little to fear short term and could find the new rules allowing them to deal as principals in local markets more than compensatory.

Meanwhile the difficulties of the domestic equity market tend to have first priority. High interest rates and inflation-



Mr. John Robertson (top left), senior partner of Wedd Duracher Mordaunt; Mr. Jimmy Bisgood (top right), chairman of Bisgood Bishop; Mr. Anthony J. Lewis (bottom left), chairman of Smith Brothers; and Mr. Tony Jenkins (bottom right), senior partner of S. Jenkins and Son.

fuelled overheads continue to squeeze margins while volume is declining. To compensate for this jobbers have recently begun to widen their spreads—the difference between the prices at which they will buy and sell—but they point out that spreads have not widened in proportion to costs in recent years.

Nevertheless, the tendency, at a time when investors already believe spreads to be too wide, has given rise to fears that the jobbing system is under-capitalised for the scale of dealing demanded by the new wave of institutional investor and could be seriously strained.

To a man the jobbers deny that the system is under-capitalised. Jobbing, they point out, is simple trading, is a matter of shifting stocks at a profit. For covering their residual short-term positions the clearing banks and money brokers continue to provide all the financial facilities that are needed.

There is not a dealer who will admit to having turned away a line of stock because of strain on the firm's capital base. That, it is argued, is not the same thing as turning down a line of stock at a certain price because the dealer cannot see a profit in taking it onto his books for resale.

The jobbers argue that the institutional fund managers confuse the two points. As traders the jobbers claim to be widening their spreads simply to match their costs in order to make profits. Without profits they would simply not make markets in stocks, thereby depriving the investors of the single most important element of the market—its instant liquidity.

Some will, however, admit to a problem of risk capital arising from the tendency for markets to be increasingly one-way. With turnover sluggish jobbers are having to hold positions for longer than the optimum trading

period which is normally circumscribed in equities; by the fortnightly account at the end of which they have to settle their transactions.

In a sense, therefore, jobbers are accepting or selling lines of stock not on pure considerations of short-term margins. They are being forced unwillingly into the position of investment trusts having to take a view on certain equities as investments rather than trading stock.

This imposes a capital strain. In addition to having to find the capital to finance their trading business—expensive in days of high interest rates but always available—they are tending to need more permanent capital to match what can only be described as investment portfolios. As far as can be judged the Stock Exchange's constant monitoring of members' financial affairs is not producing "early warning" signals, so the problem does not appear to be acute. Yet it cannot be dismissed as easily as some jobbers try to do.

Anybody's guess

It is one of the side-effects of low turnover and "one-way" markets which are a prime commercial threat to the jobbing system. "How long we can keep going with increasingly one-way markets is anybody's guess," says Mr. David LeRoy Lewis, chairman of Akroyd.

No wonder the jobbers have their hopes pinned on success for Mrs. Thatcher's economic policies and are urging the speeding up of the promised taxation review. This could, by offering incentives for personal saving or, at least by neutralising the fiscal advantages now enjoyed by the institutions, revive the private investor and re-create the stable two-way market which is the only guarantee of long-term liquidity.

MEN AND MATTERS

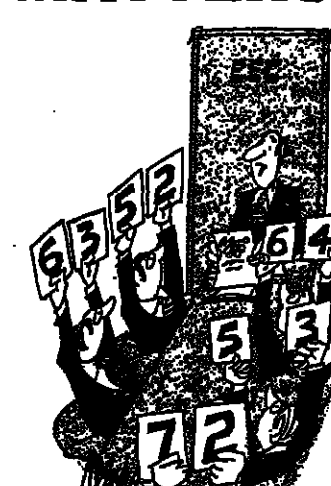
Spinning out the agony

It is all well and good for the companies seeking compensation for assets nationalised by Labour to threaten action in the Court of Human Rights at Strasbourg. But there are those among them prepared to admit that such moves are likely only to prolong the agony and who have been told by lawyers at the end of it all there is not much chance of even that august authority coming out on their side.

The managing director of one company currently bogged down in the arbitration quagmire tells me he has been advised that success is "unlikely." The only thing to do now, he says, is grit his teeth and battle on.

Like the managers of the other 11 companies locked in combat with the intransigent Tories, he is growing increasingly frustrated by the cavalier treatment being meted out by the alleged champions of free enterprise. "I reckon it could take about 15 years to sort it out," he tells me. "In the meantime the Government is borrowing from me at 10 per cent and my capital is being devalued by about a fifth each year. At the end of it I shall have just about enough to buy a Kit-Kat."

"It is a banana republic situation but it is happening here. The Government has an admirable system to slow everything down to crawling pace. Whether this is by accident or design I do not know, but it is certainly working."



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Springing Todd

FEW PRISONERS out on bail can have more loyal relatives than Garfield Todd, 71, former prime minister of Rhodesia. Charges against him of aiding and abetting terrorists were dropped yesterday after intensive lobbying by, among others, New Zealand, Nigeria and Zambia.

Administering to all three governments, as well as the Foreign Office, a determined and continuous prod from behind has been Todd's son-in-law Richard Acton. He has been running up a telephone bill of proportions which should please the Post Office, ringing every day from Kurt Waldheim to Lord Carrington since Todd's arrest two weeks ago.

Married to Todd's daughter Judith, at present in Rhodesia, Acton, a barrister, told me yesterday: "I have spoken to Garfield and his wife Grace—they are absolutely delighted. Sanity has prevailed."

Perhaps representing the crucial bridge between Nkomo and Mugabe, and in turn between the Patriotic Front and

the whites, Todd is widely seen as one of the few positive elements in Rhodesia. Having been in detention on almost every crucial occasion in Rhodesia's recent history he was not frightened by his arrest—connected with a £200 donation to Zanu—but was worried that his activities would be impeded by the legal imbroglio.

As for Acton, 38-year-old heir to former Rhodesian industrialist Lord Acton, he will be back in court on Tuesday fighting out a matrimonial case. In the meantime he will be getting some sleep.

Salty soup

There were salt tears in my soup at Kettner's famous Soho restaurant yesterday as the stunned waiters observed the news that they had lost their jobs. Eyes brimming, the hapless waiters explained to mystified lunchers that the place had been shut down by the owners, De Vere Hotels. "You are my last customers," he grieved.

Leslie Jackson, De Vere's deputy chairman, was much less emotional. "We need to modernise our kitchens," he offered by way of explanation. But was it necessary to sack all 30-odd staff? "The work will be of a major nature, so we closed it. Hopefully we will reopen in late summer or early autumn."

Only hopeful? "Look," he told me crossly, full of proprietorial righteousness, "we hold the freehold and the board's present intention is to reopen." But plans might change? "We have planning permission for offices and residential accommodation, but it is now a scheduled building which would make for difficulties."

Party turns

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Observer

FINANCIAL TIMES SURVEY

Friday February 22 1980

QATAR

The state's oil revenues and its stability have combined to create vast wealth, and even when the oil runs out there are huge natural gas reserves to fall back on. Meanwhile Qatar is prudently shaping its long-term plan to diversify its industry.

Change at a steady pace

By Patrick Cockburn

EXPATRIATES IN Qatar sometimes bemoan the quiescent state of the economy and the methodical pace of development. When the wilder excesses of the 1974-77 boom throughout the Gulf are recalled, their point is understandable. Equally surprising, however, is the degree of change which Qatari society has been able to absorb since independence nine years ago. In deciding against joining a federation Qatar did have a well-established oil industry to sustain it, but its indigenous population was only some 45,000. At that time its oil was only commanding something over \$2 a barrel, annual revenues were about \$50m and 1980 imports cost \$22m.

The following decade saw rapid development but objectives have been limited by what is attainable within so small a state. Qatar has never had Dubai's ambitions to become a trading entrepot or Bahrain's desire to become a banking centre.

The wealth of Qatar is vast only in proportion to the size of the country. Oil revenues

should rise above \$5bn this year thanks to the increase in international oil prices. This is \$2bn in excess of what the Government was estimating for 1980 at the beginning of last year.

Nevertheless, Qatar produces only 500,000 barrels a day, or 1.6 per cent of OPEC's total production. Reserves are limited at 5.6bn barrels and no new major finds are expected. But when the oil runs out the country can fall back on massive reserves of natural gas north-east of the peninsula.

Apart from these hydrocarbon resources Qatar has virtually no natural assets. In the centuries before oil was first produced in 1949 the tiny and poverty-stricken population had existed on what the sea could offer—fishing, pearling, trade and intermittent piracy. Today some 2,000 people are still employed in fishing but the rest of the economy is entirely dependent on oil and gas.

The basic industries which have been started since the beginning of the last decade use gas as feedstock. The Government had hoped that such industries would provide 20 per cent of the national income by the 1990s, but with the increased oil prices this figure must be markedly reduced.

Indeed Qatar's economic position is strong enough for the Government to keep more of its appreciating oil assets in the ground. Up to now Sheikh Abdel-Aziz al-Thani, Minister of Finance and Petroleum, has declared that oil production will remain the same. Given the limited reserves it is difficult to see this policy continuing far into this decade, but Qatar has always been at the moderate end of the OPEC spectrum and politically close to Saudi Arabia and Abu Dhabi.

Together with the other Arab oil producers Qatar is a major source of funds for pan-Arab organisations and projects. In recent years aid disbursements have dropped to about 7.5 per cent of revenue but this proportion is now thought likely to increase.

Before Egypt's agreement with Israel, Qatar had contributed \$400m to the Gulf Organisation for the Development of Egypt (GODE) and was one of the four shareholders in the Arab Organisation for Industrialisation (AOI) which had planned to establish an arms industry primarily based in Egypt. These are now effectively dissolved in the wake of Israel-Egypt treaty.

However, Qatar is committed, under the terms of the Baghdad summit agreement, to give \$230m a year to the confrontation States of Syria and Jordan as well as the PLO and the Palestinians living in the occupied territories.

Solidarity

The revolution in Iran has inevitably increased the degree to which Qatar has looked to its neighbours for solidarity in preserving Gulf security. This primarily means looking towards Saudi Arabia, from which it is separated only by a shallow lagoon. The close links with Saudi Arabia are reinforced by the common membership of the Wahhabi religious sect.

In general, however, Qatar feels itself a long way from the troubles of Iran, and its political initiatives are seldom outside the consensus of conservative Arab States. With them it shares a political difficulty. While vulnerable to any enemy because of their relative smallness in terms of population,



Qatar's ruler, Sheikh Khalifa Bin Hamad al Thani: all important decisions flow from him

wealth, by the same token they are also not keen to have any overmighty friends offering protection. Hence the certain lack of enthusiasm in the Gulf for President Carter's offer of protection.

In Doha, the capital, where most of the population live, the atmosphere is notably relaxed. External political events hardly impinge. There seems to be little chance of a return to the business boom which came after the 1973-74 oil price rises since the Government cutback in the middle of 1977.

This has had the effect of reducing inflation to only 9.0 per cent from a peak of 45 per cent five years ago. Possibly the cutbacks have been too severe and it is difficult to see how the benefits of increased revenues will be allowed to filter through

to the mass of the population, without more construction work. There are hopes that expenditure will be greater this year, with outlays on major projects up 27 per cent in this year's budget, QE 4.9bn against QE 3.9bn. This does not necessarily mean a radical turn-around in policy since past allocations have seldom been fully spent. Political uncertainties in the region have sapped enthusiasm for long-term projects in the private sector and, more significantly, high international interest rates prove very alluring to depositors.

Interest rates which the banks can offer within Qatar are held very low by the Qatar Monetary Agency.

Control within the Government is heavily concentrated in the hands of Sheikh Khalifa Bin Hamad al Thani who assumed

power in 1972. All important decisions on political and economic policy and its implementation flow from him. It is his prudence which has been behind the cutbacks from 1977 onwards.

To this day it is noticeable that Qatar is free of the more theatrical appearances of oil wealth which have mushroomed in other parts of the Gulf. The airport, for instance, is a modest but perfectly adequate series of buildings which contrasts with the more elaborate, if under-used constructions, which other Arab rulers have built. Even with the new Sheraton Hotel rising in the West Bay area there are notably fewer international hotels in Doha than in Bahrain or the United Arab Emirates.

Developments outside Doha are inevitably limited; the rest of the peninsula is barren desert. Desalination plants are the primary source of water. Outside Doha the industrialised zone of Umm Said has some 2,500 inhabitants working in the steel, fertiliser, petrochemicals and natural gas liquids plants. With temperatures last summer reaching 52°C, nobody would recommend it as a pleasant place to live all the year round. On the other side of the peninsula the oil town of Dukhan has some 2,000 inhabitants but otherwise Qatar is as uninhabitable as it has always been.

For the foreign workers, however, who make up three-quarters of the population, conditions are probably better than in the emirates. Some half of the total population comes from the Indian sub-continent, 75,000 of them from Pakistan. Most of the 25,000 Indians are Muslims from the State of Kerala. There are

also some 40,000 Iranians but these are well integrated and many are in any case Iranian Baluchis belonging to the Sunni sect and hence unlikely to be supporters of Khomeini.

The foreign workforce plays a crucial role in efforts to diversify the economy. These have been pursued with enthusiasm since the early 1970s. The steel and fertiliser plants are now operating and the French-run petrochemical complex should start production at the end of the year.

The diversification policy, as elsewhere in the Middle East, has not been without its setbacks. The fertiliser plant was beset by technical difficulties and in 1977 the natural gas liquids plant was destroyed by fire. It is now being rebuilt. A new 50,000 barrels-a-day oil refinery is to be built which should meet Qatar's estimated consumption in 1980.

Good prospects

A central aim has been to use all the associated gas available and some of the non-associated from Dukhan field. A second natural gas liquids plant is being pre-commissioned and will take the gas from the offshore fields. Much of this will in turn be used by the petrochemicals plant. All these projects have relatively good prospects, though the profits to be made are very small compared with the increase in earnings from any rise in the oil prices. Nor are they a long-term insurance policy for the day the oil runs out or at least substantially diminishes.

This role is pre-empted by the enormous gas reserves in the offshore North West Dome, which are put at a minimum of 72,000bn cubic metres. The size

| BASIC STATISTICS | |
|------------------------|----------------|
| Area | 4,400 sq miles |
| Population | 210,000 |
| Trade (1978) | |
| Imports | QR 4.36bn |
| Exports | QR 8.98bn |
| Imports from UK (1979) | £105.5m |
| Exports to UK | £40.5m |
| Currency = riyal | |
| | £1 = QR 8.4 |
| | \$1 = QR 3.7 |

of this resource makes the decision on its development the most important ever taken by the Government on the future of the economy. There is no particular need for haste, though domestic demand for gas is increasing rapidly. It will be particularly important to decide if the gas is to be simply liquefied or will have value added in Qatar.

Whatever is finally decided gas prices are moving up and the North West Dome guarantees the long-term economic future of Qatar far into the next century.

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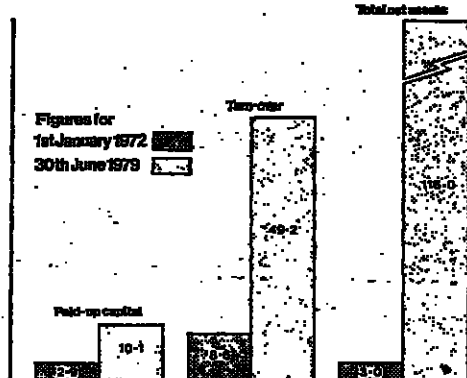
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Relaxed attitude to economic planning

QATAR has always had fewer pretensions than other Gulf oil producers. Economic planning has been more restrained and the capital Doha has a notably relaxed air, with none of the white elephant projects which were started in other parts of the Gulf in the wake of the 1973 oil price rises.

Expenditure of oil revenues has been prudent, much too prudent according to local bankers, contractors and even the International Monetary Fund, and it is unlikely that last year's oil price rises will alter this measured pace of development. Expansion is limited by the very small population—about 50,000 Qataris—and the necessarily slow pace at which education can make an impact.

The Government is aware that oil is a wasting asset with reserves limited. But the argument that Qatar is likely to be among the first of the former oil states in the early years of the next century should not be pushed too far. At current price levels production could easily be brought down from 500,000 barrels a day. And in the very long term, looking 50 years ahead, the enormous gas reserves in the North West Dome ensure that the country can rely on its hydrocarbon resources for many years.

Thus the industrialisation programme is in reality hardly even in the long term—a way of replacing oil revenues. Rather, it is complementary to them.

Increasing surplus

The point is emphasised by last year's oil price increases. Revenues from oil in 1980 were expected to be somewhere over \$3bn. In reality, at the present rate of production, they are likely to be over \$5bn.

Assuming that there is only a very measured expansion in the economy, and even the most bullish in the local business community don't seem to expect much else, this will mean a very rapidly increasing surplus to be invested overseas. By the end of 1979 foreign assets were already put at \$3bn compared to only \$414m in 1972 and investment income was believed to be \$200m a year.

The Government, however, well remembers the experiences of 1974-77 when inflation rose alarmingly—to 44 per cent in 1975. It has now been brought down to about 9.5 per cent and the authorities have every intention of keeping it there. The delay in progress payments to many contractors in the middle of 1977 also gave a jolt which many businessmen involved still recall. In 1978 actual public expenditure fell by 9 per cent, though the budget for that year had been set to rise by 13 per cent. At the same time imports fell by 5 per cent (the number of motor vehicles imported in

that year was 11,546 compared to 16,244 in 1977).

Construction permits dropped by 60 per cent. A consequence of this was the departure of a number of the international construction companies and sustained mourning from local construction companies. The latter, favoured by the Government in the award of tenders, complain of lack of work.

Sharp drop

In late 1978 the International Monetary Fund advised that the curtailment in government expenditure had been too abrupt. There were reports of emerging unemployment and a substantial fall in nominal wages, resulting in an exodus of expatriates. The housing market had witnessed a sharp drop in rents and prices, sizeable stocks of imported goods had accumulated, the port capacity was substantially under-utilised and there was a noticeable decline in the demand for bank credit.

The Qatar response to this was to say that the impact of the restraint was exaggerated, and in any case there was no particularly good reason for the Government to do any favours to the international contracting business. No new major industrial projects are planned but the new Sheraton is rising above the West Bay area and contracts for a 50,000 barrels-a-day refinery and a gas sweetening plant are expected to be awarded soon.

The QR 900m new Doha airport project has been postponed, but work is proceeding on the new university.

This year's budget (the fiscal year beginning on November 20) does show expenditure up 12.8 per cent, but the real question is how far these allo-

cations will actually be spent. In the past they have tended to lag behind budget revenue. But for 1979/80 expenditure on major projects is to rise by 27 per cent to QR 4,928m.

A limited increase in construction will not be enough to lead to the type of expansion of the economy many local businessmen are after. Land purchase by the Government would be one method, used elsewhere, in the Gulf, to put money into the economy.

The banks ask: "How can the private sector expand when the banking system is over-extended?" Much of the oil revenues never touch the local banking system in any case and deposits consequently remain at the same level. "Even one month's oil revenue in the banking system—say \$50m—would make a difference," says one banker.

But while local interest rates are held low by the Qatar Monetary Agency there is an inevitable tendency for money to go abroad in search of better rates. Small realisations in the rial and a tiny hike in interest rates do little except emphasise what is available outside Qatar.

Perhaps too much can be made of this. It is frustrating for foreign banks to be in a country with one of the highest per capita incomes in the world and still to have a low deposit base. Some expansion probably can be expected this year, but like most economic moves in Qatar, it will be extremely cautious.

It is difficult to assess how far the Qataris are worried by the imbalance in the population between citizens and the expatriate workforce. Assuming that the total population is about 210,000 and Qataris some 50,000, then the percentage of native citizens is considerably higher than in the United Arab Emirates.

The industries at Umm Said draw their workforce from the immigrant population, but unlike other Gulf states it is not a particularly pressing political issue. Development is thus not limited by fear of drawing in more foreign workers, though Hyundai of South Korea did have a problem bringing in its workforce to construct the Sheraton hotel. The oil town of Dukhan on the other side of the peninsula does have a population of 2,000 but the actual workforce involved in the oil industry is a limited proportion of the total.

The key economic decision over the next two years will not be about the expansion of the economy. It will be on the future of the North West Dome gas reserves to be constructed between 70 and 250 billion cubic metres. The price of gas is moving in the right direction from the Qatar point of view. The Algerians are trying to raise their price to \$5 or \$6 per million British Thermal Units (in BTUs is about 1,000 cubic feet of gas).

Costly transport

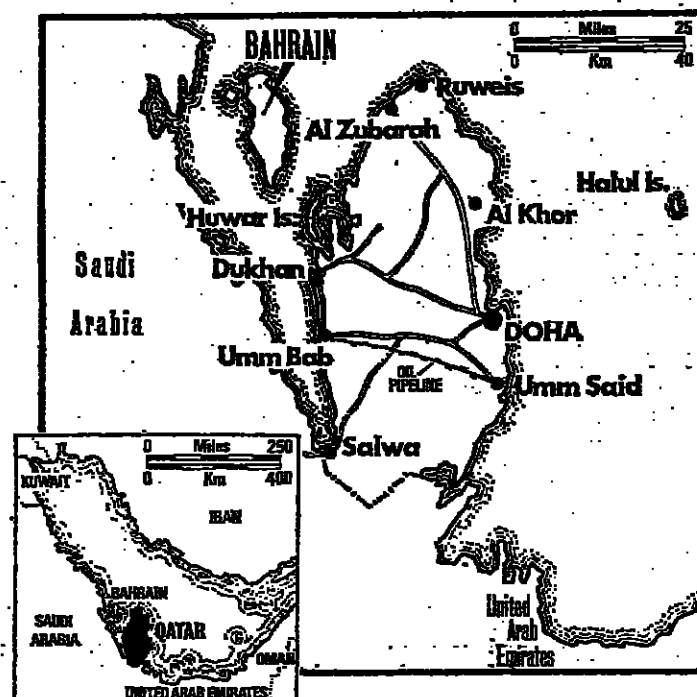
This makes the export of liquefied natural gas (LNG) look more attractive. But even if gas prices are more closely related to oil prices, its transport is still very costly. With this in mind there is an obvious temptation to use the gas for the petrochemical industry. This is already being done in the case of associated gas and the onshore non-associated gas resources.

Some of the gas can also be used by public utilities such as power stations and desalination plants. But a major development of Qatar's gas resources implies exports of LNG or liquefied petroleum gases from which the ethane and methane have been stripped. There is then the problem of finding markets for these products.

If Qatar does become a major exporter of gas it will be dealing with markets and prices which are less well defined than the oil with which the Government has long experience. This is a problem which faces all the Middle East oil producers. As late as 1974 five of the areas leading crude exporters were flaring 67 per cent of their gas. Fortunately, there is no reason for Qatar to reach a quick decision on the future of its gas resources.

More drilling needs to be done to define the extent of the structure. And when a decision has been reached on how to use the gas, long-term marketing agreements will be needed. The general idea is that a single company or group should handle the construction, financing and marketing but it is unlikely that gas production from the North West Dome will actually begin until the end of the decade.

Patrick Cockburn



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Long-term plan for industry

THE HEART of Qatar's effort to industrialise is at Umm Said, half an hour's drive from Doha. Fertiliser, steel, petrochemical and NGL plants rise like steel islands out of the desolate plain.

Together they are evidence of the Government's efforts to create an alternative source of revenue to oil.

The prospect is long term. The Government hopes that in 15 years 20 per cent of earnings will come from industry, a useful addition to income as the limited oil reserves diminish towards the end of the century.

Progress during the 1970s was methodical. The technical difficulties and hitches which hit the fertiliser plant which opened in 1973 seem to have been avoided in the newer plants. The emphasis is now on increasing the capacity of those which have already opened or are soon to come into production. According to Dr. Said Misal, head of the Industrial Technical Development Centre, no new major industrial projects are planned.

There is no room for more large industry and 13 different projects were studied by the French consultants, Serete, who have submitted their report to the development centre. These ranged from bricks to paper, paints, detergents, cosmetics, floor tiles, biscuits, batteries and electrical accessories. Four medium industries, for asbestos cement, plastics, tyres and melamine, were examined. Nine of the light industries have been recommended and four others will be restudied.

The existing major industries have certainly proved expensive but none has turned out to be a white elephant of the kind which sometimes roams in other parts of the Gulf. On the other hand the Qatar Fertiliser Company (QAFCO), which opened in 1973, was long beset by technical problems. The company is 70 per cent owned by the Government while the plant is managed and the pro-

duct marketed by Norsk Hydro of Norway, which has a 25 per cent share. Hambros Bank and Davy Power-Gas Corporation each have 2 per cent.

Using natural gas as a feedstock, the plant's nominal annual capacity is 297,000 tonnes of ammonia and 350,000 tonnes of urea, but in the past these figures have seldom been reached. In the first full year of operation only 40 per cent of the ammonia and 21 per cent of the urea which could be produced at capacity were manufactured.

Breakdown

After two years of some improvement there was a major breakdown in the steam heating system in 1977. After some problems, early last year the original plants are now operating satisfactorily. QAFCO has also brought into operation two new urea and ammonia units costing QR 1,000m. Starting production last June, they pushed total production in 1979 to 371,000 tonnes of ammonia and 497,000 tonnes of urea. "We built into the specifications the experience we had with the first plant," says QAFCO's general manager, Knut Andersen. So far the expansion has worked well, the second urea plant working at 104 per cent capacity in its first six months in operation.

Sales are mainly to India, China, Pakistan, Malaysia and Thailand. Most of the bulk sales are to India with China taking a significant amount of the bagged urea. Currently QAFCO is still delivering last year's orders, delayed because of the absence of suitable shipping.

The Qatar Steel Company (QASCO) has not suffered from the same technical problems which beset the fertiliser company in its early years. Originally promoted by the development centre in 1973, a joint venture agreement was

signed with the shareholders the following year. With an equity capital of QR 200m the Government took a share of 70 per cent, Kobe Steel 20 per cent and Tokyo Boeki 10 per cent.

Kobe, responsible for design, engineering, equipment supply

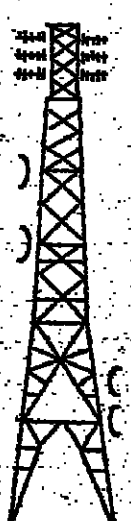
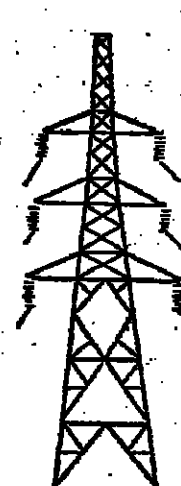
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and commissioning, has an eight-year management contract. Tokyo Boeki is handling the marketing of the reinforcing steel bars not sold locally.

The direct reduction plant started operating at the end of 1978. In the first full year of production in 1979 the company

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Planners split on rise in electricity demand

ASK ANY DOHA resident why you drive down a street in the city one year and find it all torn up by road works, and then the following year find the street in exactly the same condition, and the quick response will be: "We're probably digging it up for a different reason this year."

Certainly few parts of the city have the glossy pretentiousness of other Gulf capitals. There are fewer skyscrapers and even these look somehow out of place with the rest of the scenery. Only in isolated parts of the city do the symbols of an oil economy become apparent—the rows of expatriate villas, low-cost housing for nationals or the occasional block of prestige buildings for the government.

But many of these recent developments are jumbled up alongside houses dating from the time when Doha was just a small Arabian fishing village. Dubai, for example, is busy installing parking meters; Doha has yet to get round to traffic lights.

Despite the fact that Qatar has a larger oil production rate than, say, Bahrain or the northern emirates of the UAE, its government, and subsequently its private sector, have always made their decisions in a more measured way. There are no tell tale signs of a ruling sheikh trying to outdo his neighbours with expensive airports, useless towers with revolving restaurants or luxurious offices for the local municipality or chamber of commerce.

In the last decade the Government has spurred the traditional glamour symbols of oil wealth and has instead concentrated on building up an industrial base. Nor has Qatar let itself be seduced by the schemes of Western consultants. Says Hisham Kaddoumi, the Emir's technical adviser: "If we had built everything put forward to us by consultants, we'd be in a real mess now."

Value for money

Planning in Qatar is in the hands of a relatively small core of advisers for as yet the country has no planning ministry. This, on occasion, leads to irritating occurrences such as roads being dug up several times over by different government departments. There is a ministerial co-ordination committee, but ultimately the decision making still lies with the Emir. Nevertheless the small team of technicians at his hand have built up a formidable reputation of getting value for money for Qatar.

Western contractors may grumble at contract conditions but the state is still able to attract large numbers of bids.

For example, 49 entries were submitted for the university of which 15 were shortlisted, and 12 companies considered it worthwhile to re-tender.

Infrastructure is still absorbing about 70 per cent of the capital budgets each year, and Kaddoumi estimates it will continue to be at least over 50 per cent for the next five years. Of this half is still being absorbed by the electricity sector, as the government attempts to keep one step ahead of the population growth and increasing industrial demand. In a country where summer temperatures can soar to the 45 deg. C level, air conditioning is a must 24 hours a day. The department has to cater for a summer peak demand which is four times greater than in winter.

Turbines

The largest electricity project yet is the Ras Abu Fontas power station which will be completed this summer at a cost of \$242m. Two Mitsubishi turbines are currently being installed. Before the peak season begins a further six from Kraftwerk of between 40 to 44 MW each and four more Mitsubishi turbines of 56 MW will be in operation. Two more 30 MW machines are also coming from Fiat. Together with the Ras Abu Abboud station which was finished last year, this will bring total generating capacity up to 828 MW—a considerable amount for a state of just over 200,000 people.

Estimating future demand and the subject of electricity is likely to become one of Qatar's most controversial talking points in the year to come. At one stage, the electricity department was calculating consumers' and industry's demand as growing 27 per cent a year, but with the recession which occurred in 1977, the department re-drew its figures. Peak demand for 1979 was originally projected to be about the 640 MW mark, but this was revised to about 480 MW. Similarly, future projections for the early 1980s were estimated at rising from 800 MW in 1981 rising to 1,000 MW in 1982 and 1,400 by 1984.

The Emir and his advisers subsequently disagreed with these projections and coupled with the continuance of the slowdown, the figures have again been changed. Electricity planners now believe that by 1983 demand will have outstripped supply, for by that year the expected consumption will be about 894 MW, in comparison with an installed capacity of 828 MW. A new power station is urgently needed, they say.

Again the Emir's planners appear to disagree on the timing

of the necessity of a new station for a number of factors. Firstly, they are hoping to bring consumption down, for Qataris per head must be one of the highest consumers of electricity and water of any people in the world. It is not uncommon to see the walls surrounding villas to be strung with fairy lights and lamps, and water sprinklers to be going all day.

One of the most effective ways of reducing consumption is to increase the price, or even to start charging, because local citizens are not billed for electricity. Such a move would prove highly controversial as Qataris, in common with other Gulf citizens, have come to regard cheap or completely free energy as part of their birth-right. Electricity is subsidised to all residents in Qatar, being provided at 0.06 riyals per unit instead of the real economic price of 0.12 riyals.

Naturally any decision to charge citizens for their energy consumption is in the hands of the Emir, but in the meantime the electricity department has declared war on those omitting to pay their bills. Many were found to be nearly a year behind in payments, and following a purge on subscribers, many residents found themselves cut off overnight, including embarrassingly many prominent personalities.

By such methods the Qatar Government hopes to cut consumption by at least a quarter, say high-ranking officials. This in turn will call into question the need for a new power station. The decision has yet to be taken and time is running out if it is needed by 1983.

What is envisaged by electricity planners is another 1,000 MW of capacity—more than Qatar has built in its entire history to date. The project could be built in stages according to the growth in demand, but even the first tentative phases have an estimated cost of \$250m depending on whether the plant would be combined with water production.

Water department officials are also pushing for the new plant, which they say is necessary to meet growing demand. Consumption is currently around the 25m gallons a day mark, with potential capacity at its peak. Abu Fontas and Ras Abu Abboud plants standing at 32 mgd and 11 mgd respectively. Future demand is projected at around 40m level, and thus to retain a comfortable edge, new facilities are necessary.

Predicting growth has become a hazardous process in Qatar, but electricity planners are working on an annual population growth of about 2.5 per cent, with the total rising from 209,000 to 234,000 inhabitants by 1985. Even taking into account the slower growth rate

in the number of consumers, demand from Umm Said, which currently accounts for one-third is also expected to rise, particularly if development of the North West Dome goes ahead. Like the Dome itself, the decision whether to build a new power station will not be easy.

A hard decision which was taken late last year was to cancel for the time being the construction of a new airport. Many sections of the community had hoped that this project would go through, if only as an indication that Qatar was letting up on the slowdown. This would have been a major project costing an estimated QR 900m.

The Emir's advisers say, however, that the project has not been cancelled, merely postponed. It was a reshuffling of priorities. "We will eventually have a new airport, but the question was do we need it now? We don't want to build merely for the sake of emulating others." Instead Qatar is to make do with the refurbishing of its existing airport, which is to have a rebuilt terminal at a cost of QR 100m.

High rise

One development scheme already well on the way to completion is the West Bay, designed to be Doha's chic end of town for senior Qatari and foreign residents.

In the next few months the first part of their development will be coming into use. They are the 216 apartments which have been built in high rise structures for senior foreign residents of Doha. Designed by the French architect George Candilis and built by Darbi and Koch, a local joint Qatari/German venture, the blocks will house staff from Qatar General Petroleum Corporation and the Hamad Hospital.

One of the most intelligent schemes in the West Bay is the 612 villas which are to be built for senior Qatari Government staff. Built in stages, the villas come in six designs from which the potential occupant can choose. Financing is also provided by the Government up to the tune of QR 500,000. The first phase, for 260 villas, is under the project management of MacKee Associates, a U.S. firm, and another tender for a further 100 is imminent.

Also destined for Qataris of intermediate level seniority is a further development of lower cost housing totalling 600 homes. The contract has gone to a local firm Ali Attiyeh with the French firm, Qaprefab, producing the pre-cast units. The contract, in fact, specifies the construction of 2,000 homes though it is not yet decided how many will be built in the West Bay area and how many in Umm Said.

Kathleen Bishtawi

Industry

CONTINUED FROM PREVIOUS PAGE

produced 376,000 tons of steel bars for the construction industry which was 40,000 tons above the output target. The extent of the plant is easily described: oxide pellets and scrap are unloaded at the 730 metre wharf. The direct reduction plant, with a capacity of 400,000 tonnes a year, uses natural Khuff gas which comes from beneath the Dukhan fields on the other side of the Qatar peninsula. The plant also has two ultra high power arc furnaces and continuous casting and rolling mill shops.

Efficiency

The Japanese managers are proud of the efficiency with which the plant has run so far. Last July the direct reduction plant had a misfiring ratio of only 0.089 per cent, a world record. "Our quality is among the best in the world for reinforcing steel bars," says Mr. Osamu Miki, the general manager. With 1,100 workers the plant also has a very high level of production per head. There are currently 110 Japanese working at the plant but this should come down to 76 by the end of the year.

Protected by a 20 per cent tariff on steel imports, the company supplies 85 per cent of the available domestic market for its type of reinforcing steel. The management cites convenience, no letters of credit necessary and price as their assets in Qatar. But with the relatively low level of construction activity within the country, only 13 per cent of total sales are local. Half go to Saudi Arabia and 20 per cent to Kuwait with much of the remainder going to the United Arab Emirates.

About 70 per cent of the production is delivered by truck—it is four days by road to Riyadh. The company is convinced that there is a market for an additional 300,000 tonnes of reinforcing steel bars in the Gulf if an

expansion of 50 per cent is decided upon. It is not clear yet what the effect will be of Saudi steel production starting from 1983.

The third major plant at Umm Said should open at the end of the year. The Qatar Petrochemical Company (QAPCO), set up in 1974, was 50 per cent owned by the Government, 15 per cent by CDF Chirine and 5 per cent by Gazocan, both of France. The plant has the capacity to produce 280,000 tonnes a year of ethylene from 400,000 tonnes of ethane.

A low-density polyethylene plant is being completed by Koppe Rust and the ethylene steam cracker by Techimp. Gazocan dropped out when it became clear that the Government wanted to use all the ethylene within Qatar and its shares were redistributed among the other two shareholders. It is likely that a decision will be reached to go ahead with a high-density polyethylene plant with a capacity of 65,000 tonnes at a cost of about QR 250m. "It is favourably considered by the shareholders," according to QAPCO's general manager M. Francois Caillie.

Most of the technical staff, 450 out of a final total of 650, have been recruited, and M. Caillie says that schedules have been kept to. Marketing will be done by an international division of CDF Chirine. The low cost of feedstock from the NGL plants now being completed at Umm Said should give QAPCO some price advantages. QAPCO's parent company, the Qatar General Petroleum Corporation (QGPO) is already a 40 per cent shareholder in a parallel venture in France with CDF Chirine. Qataris are being trained at the plant, which opened at the end of 1978.

Patrick Cockburn

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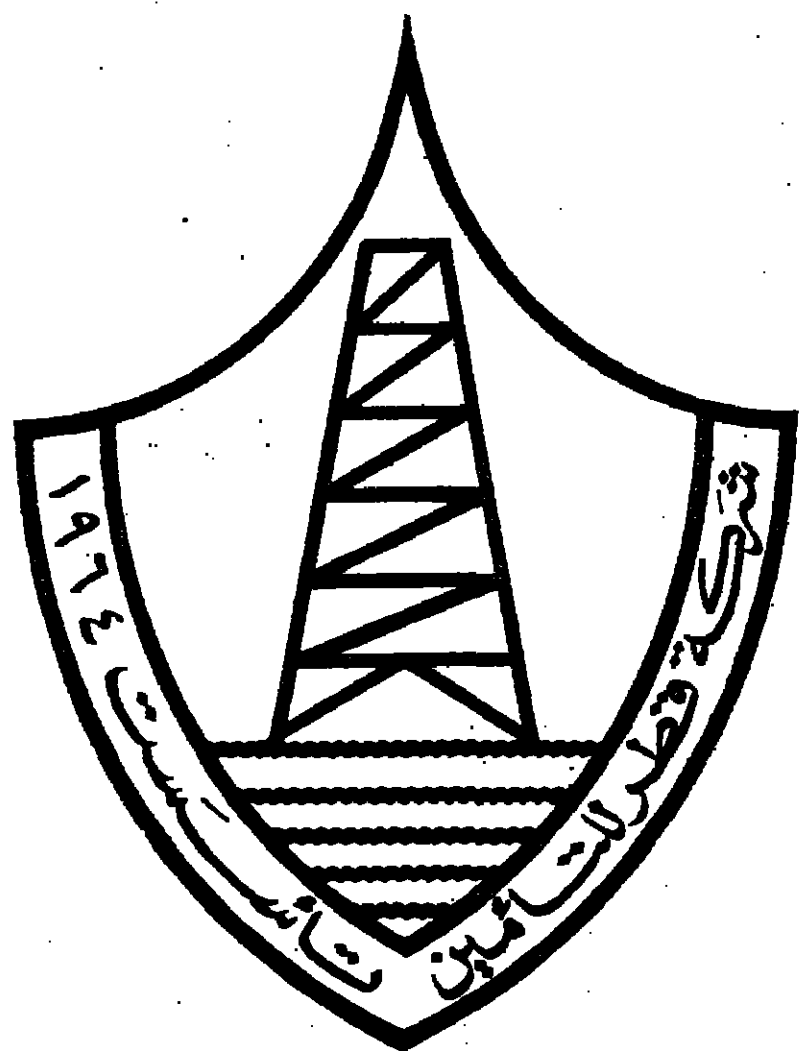
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QATAR IV

Carefully controlled oil expenditure

THIS YEAR Qatar's oil income is expected to exceed \$5bn. Assuming that there are about 50,000 Qatari citizens, this means that their per capita income will be \$100,000. But compared to other oil producers the country is only a small producer accounting for only 1.6 per cent of OPEC's total production last year and 1.55 per cent of the Middle East's proven reserves.

There is little chance of major new reserves being found onshore or off and by the end of the decade production will begin to fall. But the rate and moment when this occurs depends on the rate of production maintained up to that time.

There is little reason for Qatar to pile up vast financial reserves and the maintenance of current production levels appears, as in Saudi Arabia, to be primarily for political motives.

Nevertheless, production last year rose by 4.7 per cent to a daily average of 506,225 barrels a day. Speaking in December, Sheikh Abdel Aziz, Minister for Finance and Petroleum, said: "We have no intention of increasing or decreasing our current output." But in the long term it is difficult to believe that such a policy will be maintained.

Carefully paced

Unlike Saudi Arabia, the day that Qatar's oil runs out is on the horizon and development expenditure is carefully paced and controlled. Current production, only 5.3 per cent of its vast Western neighbour's, is not enough to make a substantial difference to the consumers if cut back a little.

Increased prices last year have already compensated for any drop in production which might be contemplated. In December, 1978, the price of Dukhan onshore crude stood at \$13.19 a barrel and Marine offshore at \$13.00. By the end of last month they had risen to \$29.42 and \$29.23 respectively, backdated to the beginning of the year.

The minor financial pressures on the Government seen in 1977 are unlikely to arise again. Industrialisation was partly based on the idea that Qatar would need some future alternative to oil revenues. So far this programme, though limited in scope by the very size of the country, has worked well. But with the discovery of vast gas reserves there is no escaping the fact that Qatar will remain overwhelmingly

dependent on its hydrocarbon resources. Gas prices are moving in the right direction though the sheer cost of transporting the LNG remains high.

Qatar's policy on oil prices has been closely aligned over the past year with that of the other smaller Arab producers on the western side of the Gulf, most notably Abu Dhabi. Last February the country joined Abu Dhabi to become the first OPEC producers to push up light crude prices 7.5 per cent above the levels agreed by OPEC in December.

At the same time Qatar announced an auction of 500,000 barrels, looking for a minimum price of \$23. A

The onshore reserves are put at 3.2bn barrels, twice that of the offshore fields. Nevertheless, last year saw the offshore fields increase production by 12 per cent while Dukhan dropped by 2.9 per cent over 1978.

The onshore fields were the original source of crude from Qatar. The oil from the three main centres of Khatiya, Fahadhil and Galeha is currently being produced at a rate of 230,000 b/d. The average for 1979 will be maintained this year. There was a successful programme of dewatering in 1977-78 which pushed up production but no new discoveries are likely. A power injection

ing gas is wasted. When the two new natural gas liquids plants are operating in 1981 all the associated and non-associated from Dukhan will be used.

Last year new facilities were completed at the offshore fields for pumping associated gas, which is currently flared, the 100 kilometres to Umm Said. This work led to production being briefly curtailed, offshore production last March dropping from 289,000 b/d to 108,000 b/d. The Bul Hamine field was closed for seven weeks.

A fourth offshore oilfield has a rather different status. It is owned jointly by Qatar, Abu Dhabi and the Bundoq Oil Company (BOC). This was closed in the middle of last year. It had been producing at a level of 7,000 b/d but was bedevilled by difficulties regarding the oil/gas ratio and pressure levels. Production apparently could be pushed up to 30,000 b/d but the Japanese company, which has a majority share in BOC, has proposed a \$300m secondary recovery scheme to accomplish this.

Ownership, both onshore and off, is vested in the Qatar General Petroleum Corporation (QGPC) which in turn controls production through the Qatar Petroleum Producing Authority (QPPA). Oil was originally discovered by an operating company of the old Iraq Petroleum Company (IPC), Royal Dutch Shell, CFP, Exxon, Mobil and Gubekian family which started explorations in 1937. The Qatar Petroleum Company as it has been called since 1968 was finally taken over by the QPPA (onshore) in late 1976, while a few months later the Shell Company of Qatar, which had the offshore fields, agreed to 100 per cent participation.

The terms for the five-year agreement were for the companies to get back their costs in full plus a fee for each barrel produced linked to the official price of Qatari crude. The companies thus benefit from last year's rapid price increase.

Though most of the senior managers and technicians within the two wings of QPPA are expatriates, there are an increasing number of Qataris employed. In QPPA offshore they make up 43 per cent of 1,478 workforce, 34 being senior staff. The percentage onshore is higher with some 50 Qataris out of the 183 senior staff, including two divisional managers.

Patrick Cockburn

QATAR OIL PRICES

| | 1980 | 1 | 1 | 17 | 1 | 15 | 1 | 1978 |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Jan. | Nov. | July | May | Apr. | Feb. | Jan. | Dec. |
| Dukhan (46°) | 29.42 | 27.42 | 21.42 | 17.84 | 17.04 | 15.05 | 14.03 | 13.19 |
| Marine (36°) | 29.23 | 27.23 | 21.23 | 17.65 | 16.85 | 14.71 | 13.77 | 13.00 |

Source: Middle East Economic Survey

month later Sheikh Abdel Aziz attacked the major oil companies for making "big marginal profits" out of the oil shortage.

A strain of muted militancy was also noticeable when Qatar sold part of its July output on the spot market. Originally thought to be 3m barrels, the quantity is now estimated to have been half of this, but it did break the OPEC ceiling of the time (\$29.50 a barrel). Subsequently, oil officials pointed out that their spot sales were limited but heavily subsidised.

Certainly Qatar has never been a hawk on OPEC price fixing. Together with the United Arab Emirates, Saudi Arabia and Venezuela it held its prices down until shortly before the Caracas OPEC meeting. But when Saudi Arabia attempted to re-establish some unity on prices within OPEC by raising its own, Qatar joined with three other Gulf producers to increase the price of its crude.

Oil was first produced in Qatar in 1949 with production rising steadily over the years to a peak of 570,300 barrels a day (b/d) in 1973. This maximum is unlikely to be surpassed over a year, though in December, 1975, it was pushed up to a high of 610,000 b/d. The main Qatari oilfields are onshore at Dukhan and west of the peninsula and offshore to the north-east.

programme will get going in the second half of 1981, but there are unlikely to be any new reserves discovered.

Offshore the fields have a somewhat shorter life. The production level is likely to drop to 200,000 b/d compared to a figure of 278,000 b/d for 1979. The oldest oilfield, Idd al-Sharqi, was discovered in 1960 after seven years' exploration. Of the two others Maydan Mahzun has the highest reserves while Bul Hamine is the most productive, its capacity being increased by more than 40,000 b/d in 1978 by the completion of two new dump flood wells.

Little optimism

Some exploration still goes on but without much optimism. A concession held by the Holcar Oil Corporation was cancelled when the U.S. Justice Department alleged that a \$1.5m pay off had been made to a Qatari official.

Wintershall of West Germany is exploring a 9,000 square kilometre area north and west of the peninsula. This includes an area in dispute with Bahrain.

But the real object of interest for the international oil companies in Qatar these days is gas rather than oil, above all the North West Dome. Already the country has made every effort to ensure that none of its exist-

Decision on gas reserves

OVER THE next couple of years Qatar will have to take its most important economic decision in the short history of the state. This concerns the exploitation of the vast gas reserves of the North West Dome discovered by the Shell Qatar Company off the north eastern coast in 1972.

The gas is in the Permian Khuff strata 10,000 feet down and further drilling is now being carried out to discover the exact extent of the structure. Initial enthusiasm for exploiting the gas was limited. After all Qatar was only beginning to get used to its new oil wealth and the emphasis was on developing local industry.

Today, improved gas prices and gradual depletion of oil reserves make prospects for exploiting the North West Dome look brighter. Nevertheless, international companies sound more enthusiastic than the Qataris.

North West Dome is impressive above all because of its sheer size. Qatar's proven gas reserves are 31 trillion cubic feet, but industry estimates the North West Dome to hold between 72 and 100 trillion cu ft.

Mr. Ali Jaidah, the Qatar General Petroleum Corporation's (QGPC's) managing director and former OPEC secretary general, says that the highest estimate he has seen is 250 trillion cu ft. This figure, though very much an outside estimate, compares with worldwide proven reserves of natural gas of something over 25,000 trillion cu ft.

Even the lowest industry estimate for North West Dome is still equivalent to the British Gas Corporation's estimate of gas which can be extracted from the British continental shelf, which would be enough to meet British demand for over 30 years.

In dealing with reserves of this size the Government is clearly faced with a decision of immense significance for the country's long-term future and it is rightly taking its time to reach a decision on how to proceed. There is no financial pressure to move fast. "We have to solve the basic question," says Abdullah Sallat, director of the department of Petroleum Affairs. "Do we treat it just as gas—liquefy it—or make it the backbone of the Qatari economy. Personally, I don't think it is

right to just liquefy it."

QGPC has carried out a joint study of the field with Shell International which was to be delivered this month. But events are unlikely to move rapidly. All the options are being looked at, while drilling goes on to define more closely the extent of the structure. So far the number of wells is limited.

The cost of the development is put variously at between \$4 and \$20bn depending on the extent of exploitation. These figures are largely notional. It could well be a year or two before a decision is reached on the future of the dome and, at the speediest, a year for planning and another three years for drilling, and setting up pipelines and liquefied natural gas (LNG).

The first commercial production is unlikely to be before 1987/88—at the earliest. There is the argument that Qatar will need additional gas resources itself by that date, as feedstock for industrial development and for the power stations. Umm Said industrial zone already consumes one third of the electricity generated. Astronomically high figures for domestic electrical power consumption have been scaled down but this is expected to be 894 MW by 1983 compared to currently installed capacity of 828 MW and a 1,000 MW power station is being considered. Existing industry is being expanded but no new major industries are planned which would utilise much of the North West Dome's reserves.

Upward trend

The upward trend in gas prices is encouraging for QGPC. The movement in OPEC to link more closely the price of gas and crude is gathering pace. Algeria is seeking to raise the price of its LNG from \$3 per million British Thermal Units (Btu) to \$5 or \$6.

Closer to home Abu Dhabi, whose policy normally has a strong influence in Qatar, has linked the price of its LNG to that of its Murban crude. This raised the price of gas exports to Japan from \$2.36 to over \$4.70 per million Btu last year. But with Qatar's short-term need for the gas so limited, there is a good argument for leaving it to appreciate in the ground.

QGPC has already tried to ensure that all associated and some non-associated gas is used.

In the past the associated gas came from the Dukhan field run by the Qatar Petroleum Producing Authority (onshore). Non-associated gas is also brought from the Khuff strata 10,000 feet below the main reservoir at the rate of 400m cu ft per day. This will be increased to 600m cu ft per day by 1981.

"The big developments in the 1970s have been in gas," says Mr. Arthur Gillat, managing director of QPPA (onshore). The offshore associated gas has been flared in the past but the facilities on the platforms have now been installed and the gas will be piped 180 kilometres to the Natural Gas Liquids 11 plant at Umm Said at a rate of 242m cu ft per day.

The use of the gas is complicated by the almost complete

destruction by fire of NGL 1 at Umm Said in April 1977, only two years after it opened. At the end of last year QPPA told the Shell Group and the British engineering company Whespe that it would claim the cost from them of replacing the plant together with all losses incurred because of the fire. NGL 1, now being rebuilt by JGC and IHI of Japan, will produce 1,200 tons a day of propane, 750 tpd butane and 450 tpd gas distillate.

NGL 11 is currently being pre-commissioned beside the massively reinforced tanks which will contain the liquids. When open it will provide ethane for QAPCO and natural gas liquids for export. Japanese companies are showing interest in buying its products.

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Companies' profit margins slashed

IN MANY GULF states, the level of trading activity is a political question. Many of their national citizens become used to boom conditions, and when the necessary slowdown comes, readjustment is painful. Qatar, in many ways, is different, for although trading and construction activity reached its peak in 1977, the Government moved quickly to prevent it continuing.

The slowdown brought on by delayed payments and a cut-back in actual expenditure was designed to decrease the inflation rate and prevent a flood of immigrant workers coming in and upsetting the social balance further. But it may also have been a pause to prepare its local and business circles for the time when the big contracts of the past can no longer be expected.

In a state such as Qatar with its tiny population of a mere 200,000, only a quarter of which are citizens, there has got to be time in the near future when all the roads, schools, hospitals and public services are complete.

In other Gulf states, the merchant community has been sufficiently powerful and influential on the ruling family's decision to continue a high level of development. Not so in Qatar, for there is not the regular and casual contact between the two sides as exists in Dubai, where almost every morning is beset by the ruler drinking coffee with his cronies, the merchants.

In Qatar the contact is more formal and deferential, and at times verging on distrust. Some years ago, when the ruler wanted to develop an area of Doha, the prices the merchants were asking for their land were so high that the Emir decided to ignore them all and create his own land out of the sea. The result is the West Bay, which is built on reclaimed land.

Another factor is that many of the prominent traders in Qatar are of foreign origin, and apart from a few notable exceptions, the al Thani do not become involved in the hustle and bustle of trading, or building business empires. So when the slowdown came, it was easier to follow through and continue in Qatar, for the pressure to reflate the economy from the merchants would not have been as strong as in other, nearby states.

Despite the Government's cautious approach to large budgets, the merchant companies are still experiencing an increase in turnover each year.

Margins slashed

But this has not stopped profit margins being slashed, and many of the prominent names in trading are experiencing difficulties. None has tumbled on the verge of liquidation and will not, say local bankers, particularly if there is an increase in government spending this year.

Much store has been set by the fact that the development budget has gone up 27 per cent this year, and traders are hoping that the state will actually spend what it says it will this year. Previous years have been characterised by high hopes at the beginning of the year when the budgets are announced with their customary increases, with expectations dipping when it is realised that actual expenditure is not that great.

The slowdown has been quite dramatically felt by some companies. Mannai trading company for example which has the agencies for Cadillac, Pontiac, Opel and some Japanese makes of car, experienced a considerable decline in its car sales division, which forms 30 per cent of their trading division revenue. In 1977, some 2,100 vehicles were sold, but

the following year it had dropped to 1,250, rising slightly last year to 1,300. Turnover for the whole trading division showed only a small increase from QR 224m to QR 252m last year, most of which can be accounted for by inflation.

However, company executives are expecting a 30 per cent increase in general trading this year. Said one: "We had to tighten our belts on salaries last year, but this year we are getting bonuses. Neither did the slowdown deter Mannai from investing QR 60m in a new headquarters on the outside of Doha, or installing a computer to control stock and wages. Contracting is still the most largest section of the group, and owing to the Government's preference for local companies, Mannai's order books are full until 1982, say its executives.

Trading is still the major activity among local companies, for few have been attracted to, say, large-scale industrial ventures. "We'd want a govern-

ment guarantee and financing before we'd make any large investments like that," commented one Western manager of a local concern. "Now is not the time to slip down, say \$5m in a plastic bags factory or whatever. Things are too uncertain in the region and the economy locally is not that lively."



New buildings dominate the skyline of Doha

The property market still has its adherents in Doha, though and many of the local trading companies have invested in prestige office blocks and some have gone into expatriate housing schemes. All the same, the time of a three-year write-off is now over, and many of these developments are half empty, or half full, depending how you look at it. Rents have dropped and now a three-bedroom villa can be secured at around QR 7,000 monthly compared with QR 14,000 and upwards of two years ago. This is still very high compared with other Gulf cities.

Perhaps one of the biggest private investors around Doha is Sheikh Ghanem bin Ali al Thani, a close relative of the former ruler. Even other trading companies in Qatar grudgingly concede that Sheikh Ghanem has "built what Doha needs," and his current holdings include The Centre, a modern air-conditioned department store, the 360-room Ramada hotel and the Chancem Gardens expatriate housing complex.

The Centre, which was the Gulf's first modern department store, has had its ups and downs in the last year, the biggest being the withdrawal as its managers of the Bahrain-based company, Jashamals. Accusations are flying back and forth between the two parties, and there are now plans to arbitrate the case at the World Chamber of Commerce in Paris. Nevertheless, the centre is currently receiving more than 55,000 visitors a week, 27,000 of them purchasers.

The Centre is continually the centre of grumbles among Doha's residents there was trouble over the Christmas

International banks

Ghanem al Thani Holdings is the largest limited liability company in Doha, with a fully-paid-up capital of QR 1.5bn. Many of its current projects such as the villa complex, the hotel and others in the pipeline have been financed by privately-placed non-recourse loans among international banks, and its future projects, which are huge in Doha terms, will be similarly



New buildings dominate the skyline of Doha

financed. The group is now planning a \$20m private hospital with 88 beds which will offer American-managed medical facilities to those residents unwilling to queue for the free service provided by the Government. Another project is a QR 96m shopping centre linked to the department store, which is being modelled on classic U.S. lines. It will have 120 shops.

All these are large-scale developments for Doha, but as the company's chief executive Afi Sidawi points out: "We don't build for 1980, we are building for 1985." The group is confident that the population inevitably will increase. "The range of products the Qataris are aspiring to is increasing dramatically, and that means more people, and people breed people." However, significantly, the most major project under consideration at the moment is a \$70m food processing factory—in Jordan, making use of foods grown on the Israeli-occupied West Bank.

Big names

Local companies are thus managing to more than survive the Government-sponsored slowdown. The same cannot be said so much of the international companies, particularly those which banked on the continuing presence of large construction companies. A number of major British names in construction have left, including Costain, Mowlem, and some consultants, though many continue to visit Doha from other Gulf centres, which have offered a continuing source of work. The French, Germans and the Americans are continuing to try in Qatar, many of them successfully, while still grumbling about contract conditions in Government work.

Consultants say Government rates are often ridiculously low. The establishment costs allowed, for example, for a high-level partner in a consulting firm is only QR 30,000, or

for a senior engineer QR 25,380 a month, which they say is not sufficient to attract newcomers or even maintain existing local companies. "Even the British cannot meet those requirements," remarked one U.S. consultant. "We were hoping to attract people from Saudi Arabia to here—after all Doha is far more pleasant, but at those rates it is impossible."

Government officials rebuff suggestions that their terms are in any way particularly harsh or that the result could be a lower standard of contractor applying for work in Qatar. On the university project, there were 49 entries, points out Hisham Kaddoumi, the Emir's chief technical adviser.

The other major controversial project, the Sheraton, was also given the go-ahead only after rebidding. The project was delayed for some months, and then thrown open to tender again, and the difference in bids was large, Kaddoumi points out. "We found some inexplicable items in the tenders," he added.

So successful is Qatar in securing low prices from international contractors that even Government officials say they are surprised at the savings they have obtained on the largest current project—the university. The QR 1bn project is divided into six separate contracts, and on the latest, the bid was about QR 20m less than expected. The Japanese company, Fujita, has secured the main contract for the foundations and interbeton of the Netherlands has the work for the production of the pre-cast units. Fujita was believed to have wanted to reconsider its bid, but was kept to its prices by the Government, according to local sources.

Government officials reject the idea that Qatar has become the market only for Koreans and Japanese, whose prices are difficult to beat, and say their contract conditions are not any different from standard international practice.

The recent successes of the Koreans have yet to reflect in Qatar's import league tables. The Japanese still head the list as they do in all Gulf countries, accounting for 18.5 per cent of the market, a slight drop over the previous year's share of 19.75 per cent. The university contract is likely to push them up again. West Germany came in second mainly because of its supply of turbines to the Ras Abu Fontas power station. Its market share was nearly 17 per cent or QR 905m. Local sources are expecting it to drop slightly after completion of the station and Britain could once again go into second place as it was in 1978.

Britain's exports to Qatar last year rose to QR 832m from QR 721m in 1978 though its market share dropped very slightly from 15.7 to 15.4 per cent. From then on, it was France with QR 535m, the U.S. with QR 465m and Italy with QR 309m. South Korea in 1978 was in 24th position, accounting for only 0.39 per cent, a position which will surely show some change in the coming two years or more.

Qatar's imports overall last year rose about 15 per cent from QR 4.5bn to QR 5.4bn, though most of this can be accounted for by inflation. Nevertheless, it cannot be a true comparison for 1978 showed a decline in imports, which must be a rare phenomenon among Gulf states. In 1977, they were standing at QR 4.8bn, and so last year's figures show little real growth. However, many circles are confident that this year the Government will raise its spending levels because of the pressures to do so.

Kathleen Bishtawi

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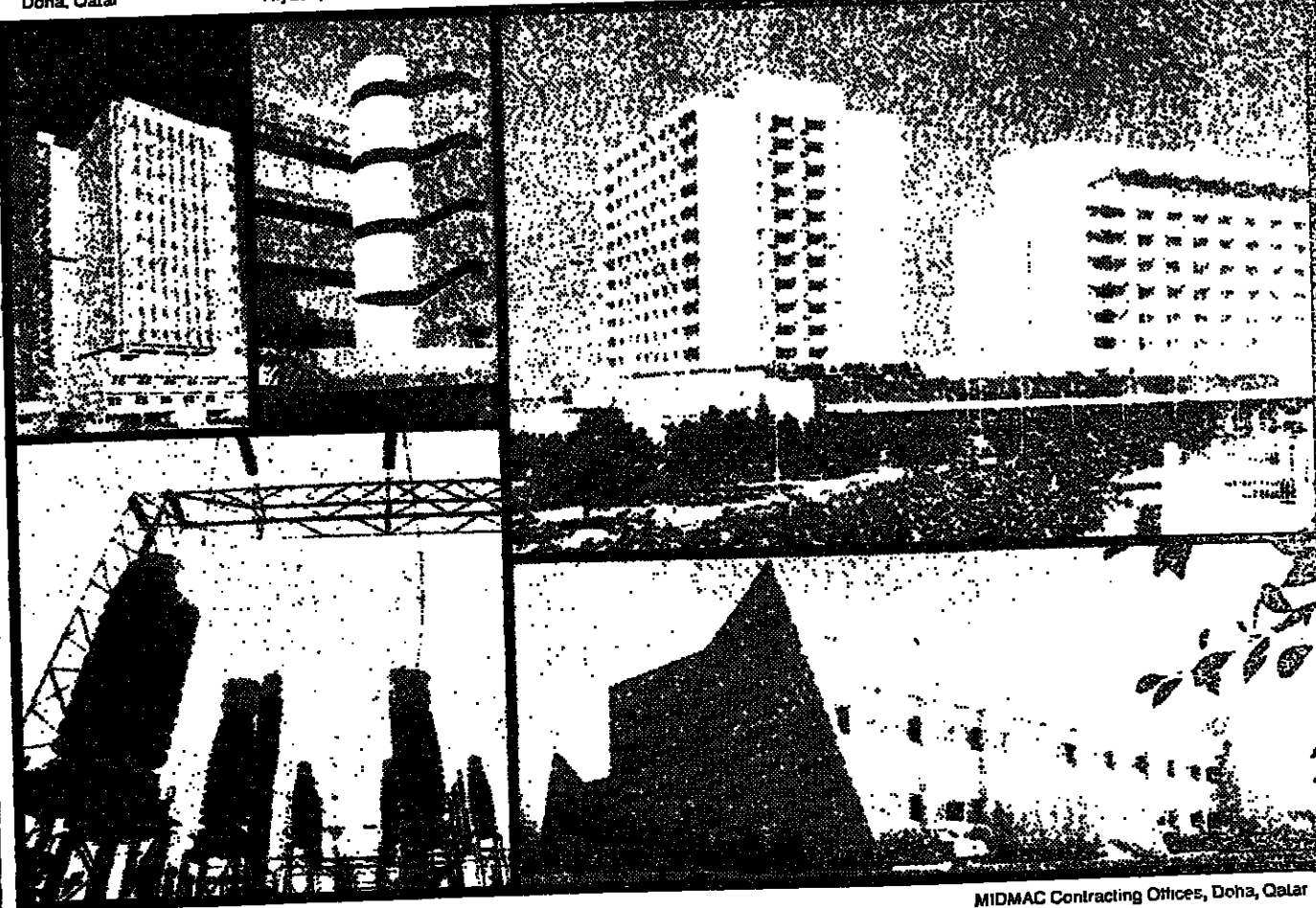
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QATAR VI

Outflow of money worries the banks

BANKING IN QATAR differs markedly from that in neighbouring oil economies. For a start Qatar has never harboured ambitions to become a financial centre, and its banking community is small—only 13 banks and 20 branches.

Secondly, three years ago, the Government moved quickly to prevent a spiral of land speculation, and so the town does not have hundreds of unlet apartments and billions of riyals extended to the property market in loans. For some years now, its central banks says in its annual report, foreign assets of banks have been rising, a reflection of the seeming lack of investment opportunities within the state.

Yet in many other ways, it exhibits the same stresses and strains which other Gulf banking communities are experiencing. The last three years have seen orchestrated restraint after the heady boom days of 1974-77 when money supply and credit were going up in leaps of 75 and 50 per cent. Today, deposits and consequently advances are barely creeping up at all—but, unlike other Gulf states, this has been the result of a measured level of government spending rather than any convulsions in the banking community itself.

Perhaps the most important similarity is the dominance of a national bank handling the accounts of the government and semi-state companies, with the rest of the banks competing for the remaining 50 per cent of the business. There is also a fledgling central bank still growing in size and expertise whose balance sheet is probably one quarter the size of its national bank.

Rapid expansion

The Qatar Monetary Agency, established in 1973, has developed more slowly than other nearby central banks which opted for rapid expansion through the deployment of Western expertise at the top. The policy has paid off, for today more than half its staff are Qataris, a much higher ratio than in central monetary institutions in other Gulf countries.

The one Bank of England official who was on secondment for the last two years has now been replaced by a Qatari and Arab expatriates, and in one year its staff complement has doubled up to a present total of over 50—all of them Arab. Yet it is still in the embryonic stages of development—its statistics department, for example, consists of one man and a typist.

The agency is also hampered by the Government's preference for the Qatar National Bank, which has assumed many of a central bank's functions. Nevertheless, the agency is slowly adopting the mantle of advisor to the Government, and playing a more active role in bank supervision. A team of bank inspectors is being built up and already about six banks have had their books scrutinised by agency officials.

The agency's balance sheet, though small, is rapidly increasing. Foreign assets are estimated by senior officials to be around the QR 1bn (£118m).

mark, compared with QR 650m in 1977 and QR \$80m in 1978. More than 70 per cent of these foreign assets are still kept on deposit with the 100 major international banks in the world, with the remaining 30 per cent being held in government securities and an increasing amount in gold.

About 50 per cent of the deposits are still maintained in dollars, with the other half being spread around the European currencies and the yen. However, since the freezing of Iranian assets by the American Government late last year, the agency is attempting to steer clear of U.S. banks and is aiming for a wider geographical spread on its deposits.

QMA officials maintain that the size of the agency's balance sheet is not as important as the relationship it has with the banking community. In the last year, this relationship has had its ups and downs. The growing bone of contention between the agency and the banks concerns interest rates.

Until the end of last year, interest rates on advances and deposits in local currency were governed by the inter-bank agreement. This agreement has functioned almost from the beginnings of the banking system in Qatar when no central monetary institution existed. Although the agreement covered many aspects of banking and was in fact quite detailed, its most important aspect was the regulation of interest rates, which dictated that deposits could earn between 4 to 6.5 per cent a year and advances be charged at between 7 and 9.5 per cent.

The move has proved to be the agency's most controversial measure to date, and has led to open criticism in the local Press by prominent resident bankers. Their argument is that with the old inter-bank agreement, the community had a framework to operate by. They say that the grey areas concerning commissions which were left open when the agreement was cancelled may lead to "cowboy" action by the banks and perhaps unwise competition

as each seeks to attract much-needed depositors. The agency counters with the argument that the agreement was not adhered to anyway by all banks; many tried to lure customers by offering higher rates of interest.

And it is interest rates, hardly changed at all under the new agreement, which are the most talked about subject among bankers. Given high interest rates outside for dollars and sterling, the differential with local rates is enormous—at times nearly 10 per cent. Small wonder, say local bankers, that many Qatari depositors are preferring to shift into the foreign currencies.

Liquidity problem

The outflow of money from Qatar is now becoming a serious problem, the bankers say, to the point where a major liquidity problem may be brewing. Urgent action is required to prevent a curtailment of credit.

Agency officials concede that the problem exists, though they believe it to be not as serious as the bankers say. Indeed, officials believe it is mainly the banks which are responsible for whatever funds are flowing out of the country. Foreign assets of the banks are shown to have risen from QR 1.8bn in December 1978 to a year end total last year of QR 2.067bn, an increase of about 15 per cent, though at times the rise has been higher than that.

But private foreign currency deposits are also rising, an indication of the customers' switching over from riyals. In the 12 months preceding December 1979, it went from QR 260m to QR 424m, an increase of QR 164m. The ratio of sight to time deposits had radically changed also, for in the previous year about 48 per cent of the foreign currency deposits were sight, but a year later this had declined to 16 per cent, indicating customers' increasing preference for longer term foreign currency deposits.

Thus, agency officials say, the switch to foreign currency is not as large as was thought. However, in reply the local bankers

point to a worrying liquidity ratio of advances to deposits. December 1978 advances were QR 2.5bn while deposits were QR 3.3bn, a ratio of 86 per cent. By December the following year it had risen to over 96 per cent. Advances continued to rise slightly to QR 3.27bn while deposits remained at the QR 3.39bn level.

Local bankers add further that the situation is greatly masked by the dominance of the Qatar National Bank, whose deposits represent nearly 50 per cent of the total and whose lending policies are conservative.

Agency officials concede that the liquidity ratios may be high, and believe the outflow may have been as serious as happened in Kuwait late last year. However, government officials take the view that any hike in interest rates would lead to an increase in inflation, which the Government has always been anxious to avoid. Inflation in Qatar is in fact one of the lowest prevailing in the Gulf—about 8.5 to 9 per cent, according to commercial bankers. Further, the agency has made use of revaluations of the riyal as a method of encouraging money to stay at home. During the last year there have been four revaluations against the dollar totalling 3.5 per cent.

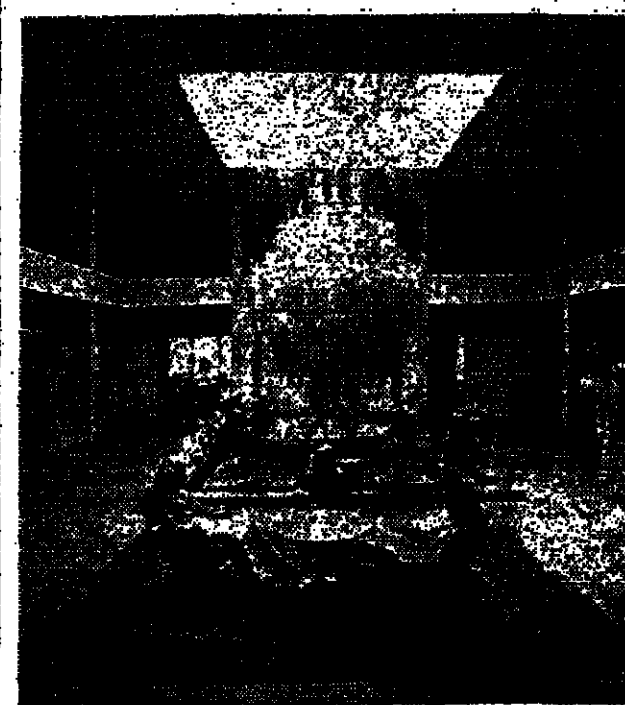
The continuing uncertainty in the region and its effect on the financial scene requires a strong response from the central bank the local bankers believe. At a December meeting between the monetary agency and the bankers' association, the agency promised to study the possibilities of swap facilities and other measures, though no such study has begun yet.

Another factor is that although this could be done easily, the central monetary agency does not yet have the staff for the practical implementation of any such measures. Coincidentally, the QMA is stepping up its recruitment drive within the Arab world to provide such staff.

Kathleen Bishtawi

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Education vital part of development

EDUCATION IS a vital part of the general development of a small country such as Qatar, where only a quarter of the population are Qatari citizens. For, if Qataris are to retain a grip on the direction of the local economy, the need for skilled managers and technicians is paramount.

Such an objective is not achieved overnight, as can be seen in the fact that in the 22 years that schools have existed in Qatar, only 72 Qataris have qualified as petroleum engineers.

The education system began relatively early in Qatar, for its ruling family has never exhibited the same distrust shown by some other Gulf sheikhs towards the mass education of their people. Thus, Qatar has been able to achieve a much higher literacy rate than many of its more "oiled" neighbours, and today education still absorbs some half a billion riyals (£59m) of its capital development budget each year. The somewhat longer tradition of education in the country can also be seen in the fact that 31 per cent of all teachers in the country (which number 3,112) are Qataris—a relatively high ratio.

In this academic year, the Qatar school system is handling over 38,000 students, nearly 70 per cent of whom are Qatari nationals. The rest are from Palestine and Jordan (15 per cent); and from Egypt and other Gulf areas.

All education in Qatar is free, and the cost of books and transport is taken care of by the Government. Indeed, as the level of education goes higher, the Government lavishes attention and money on its potential future managerial class, and those students studying abroad are paid handsome salaries, books allowances and even money for a clothes budget. In all, the Government estimates that some \$12,000 is invested in every student at Qatar University each year. For those students overseas in such countries as the U.S., the grant alone runs to \$670 a month, with allowances coming on top of that. Qatar students in Britain are paid a basic salary of up to £260 a month.

And when the graduate returns home, entry into Government work is almost guaranteed, such is the hunger to "Qatarise" official departments and lessen dependence on foreign Arab and Western expatriates.

In addition, graduates are being lured to a comfortable social niche by the West Bay senior staff housing scheme. Under this plan, senior Qatari Government staff with degrees are offered a loan of up to 500,000 riyals at low interest rates to build a home in this, the most prestigious residential area in Doha. He is offered a choice of 16 designs, and the eventual home that he will occupy would suit the taste of any senior Western manager.

One of the ambitions of Qatar's education policy which has become apparent in recent years is the desire to lessen the stream of nationals to overseas universities. Nowadays, wherever possible the education department attempt to avoid sending undergraduates to foreign centres, for in the past many have experienced emotional stress in adjusting to different life-styles at such an early age. Neither has the Government any desire to create an estranged educated class with different ideas about the existing social structure. Its most ambitious project so far is the construction of its QR 1bn university in Doha.

Engineering faculty

The university has been open for the last two years, functioning from two former elementary schools and has already produced some 286 graduates. Qatar University now has an intake of some 2,000 students in four faculties—these are education, Islamic studies, science and the humanities. Next year, there are plans to include a faculty of engineering though any further extension of the subjects taught will wait until the new buildings are complete in 1982. By then, plans will be advanced for the projected Gulf University being funded by seven Gulf states, including Qatar. The University is to be located in Bahrain.

Qatar already makes use, under special agreements, of a number of nearby universities—for example, undergraduates in petroleum engineering are being educated at the Damman University of Petroleum and Mineral Resources. However, the new university of Qatar will boast accommodation for some 4,000 students, with extensive libraries, gymnasiums, lecture halls and recreational facilities.

The president of the University, Dr. Mohammed Kassem,

recognises that classrooms alone do not necessarily make a university. "We recognise the need to promote social as well as academic growth, and we have begun a programme whereby students can visit other countries and meet young people and workers of other nations."

Sadly this scheme is not open to the majority of Qatar University's students—namely the girls, who, at present, number two-thirds of the total intake. Like other "home-grown universities" in the Gulf, Qatar's own campus is rapidly developing into an institute for higher learning for those girls whose parents are still reticent about sending their daughters overseas, whereas the boys are still pushing for foreign educations in Cairo, UK or the U.S. At present, only 23 of the 100 Qatari post-graduates studying overseas are women.

Education of women is still a controversial subject in Qatar, not because many are against it, but it will pose questions about the future of the large numbers of educated women who are emerging from the schools and the university. Perhaps the most ironic and tragic twist for Qatar is that the country desperately needs every educated skilled national in order to lessen its dependence on foreign personnel, and yet the social laws of Wahhabism preclude any but a modest role for women.

What, then, are the reasons for teaching a girl physics or foreign languages? An Egyptian professor of English on the women's campus replied: "To help them watch television to continue their studies for their holidays and to help them to enjoy foreign books."

A sad comment, perhaps, for any Qatari girl, with more ambitious ideas. Not all young women accept the social limitations. Yet, the situation is slowly changing for Qatari women. The marriage age is creeping up from a norm of 14 years of a decade ago to the late teens and over, today, and there are even a number of 25-year-olds who are unmarried and studying. Most, though, follow their academic years by marriage, shortly after. University studies remain, for many, an outlet, for as one Qatari girl put it: "There is very little to do here, except study."

Kathleen Bishtawi

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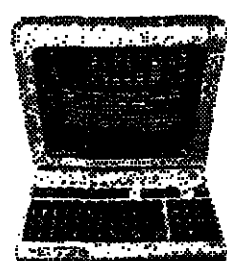
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Foreign manpower a sensitive problem

MANPOWER and immigration are two of the most explosive topics of conversation in Qatar. As they are in all the Gulf States. The official accepted ratio of Qataris to non-Qataris is around 1 to 4, and Government statistics put the population at around 200,000, a figure that has been quoted by civil servants for some years now. In fact, the ratio of foreigners in Qatar is better than in many other Gulf States such as the United Arab Emirates, where nationals represent only 15 per cent of the population. But with Qatar's indigenous population estimated at between 40,000 and 60,000, its smallness in juxtaposition to its wealth contributes an additional factor for concern on the part of outside observers. Yet to mention the subject to

any of the Government planners is to invite a lengthy discourse on the ulterior motives of Westerners wishing to explore possible sources of instability. "By writing about it," one Government official said, "you make people think there is a problem, and by writing about it you may create one." It is, as the statement shows, an unpopular subject of discussion between foreign journalists and Government officials and no Minister agreed to be interviewed on the subject.

Guessing game

Most will not even concede that there is such a problem in Qatar. One Government official, referring to the predominance of foreigners in Qatar, felt it was an odd situation, even unique,

but no different from, say, the Asian communities in the UK. "It is a problem perhaps, but not a big one."

Problem it may not be, sensitive it certainly is. The last census in Qatar was in 1970; its findings were cautiously distributed to senior Government personnel and then rapidly withdrawn, only to be left lying in the desks of a handful of people ever since. In the absence of any Government figures on the subject, diplomats and economists are therefore left to play a guessing game.

Foreigners are not new to Qatar, for the earliest estimates taken of the population in 1908, only a few decades after the al-Thani came to settle in the State, show that some 23 per cent of the total were foreigners. They were mainly negro slaves, who worked in the pearl industry and have subsequently been fully integrated into Qatar society.

The total population then was estimated to be 26-27,000. By 1970, however, the bonus of oil wealth had begun to be reflected in the population, and the foreign element had reached 59 per cent out of a total which was estimated at around 112,000 to 130,000.

Nowadays the foreign estimates put the total at around 210,000, which is roughly the number the Qatar electricity supply department works on. It believes the total breaks down as follows: 75,000 Indians, 20,000 Pakistanis, 20,000 Qatari citizens, 25,000 Iranians, residents and citizens of Iranian origin, between 40 to 60,000 Western expatriates and about 1,200 to 2,000 Koreans.

The immigrant population is thus predominantly Pakistani, a factor which was reported to cause some concern, particularly during a visit some years ago by Pakistan's then President Bhutto, when thousands of Pakistanis flocked up to the airport to greet him. ("They suddenly realised that the loyalty of the bulk of their population lay somewhere else," commented one foreign diplomat.)

The Iranian figure (which comes from Iranian sources) includes three types of immigrant. First there is the pure Iranian, with an Iranian passport, resident in Qatar, said to number 7,000. Then there are the seasonal workers who come over every year after the harvesting back home (this has largely reduced in recent years with the rise of wealth and wages in Iran). There are also some Gulf people of Iranian origin, and lastly there are the Qataris of Iranian origin.

As with other Gulf States, Qatar is becoming concerned about the growth of its Asian community and also the possible influence of Iranian Shiites in their State. Over Ashura last year, a large crowd was reported to have gathered at the mosque and a response force from the police dressed in full battle gear was standing by. It was the first time that there had been a large-scale demonstration for Ashura in Qatar. Pictures of Khomeini are also reported to decorate many shops in the souk, and significantly, the Ayatollah's photo was seen some nine months before the actual fall of the Shah.

Yet the Islamic appeal of Iranian shia-ism as expounded by the Iranian mullahs is unlikely to cut any ice among the Qataris themselves. Their State is conducted on strict Wahhabi lines, and the benefits of the oil wealth are slowly being distributed among them. Another factor, and the most important, is that the al-Thani ruling family is the most numerous tribe in Qatar, and loyalty to the Emir highly developed through family and tribal ties. This alone makes Qatar one of the most stable States in the Gulf.

Forged visas

Nor has the Asian community, despite its predominance, had much social or cultural effect in Qatar. There are no tell-tale signs of cultural imbalance as exists in the Emirates, where almost every shop sign is in four languages—Arabic, Farsi, Urdu and English. There is still some smuggling of Asian labourers going on, most arriving on forged visas from Pakistan, and some 10 cases of this nature are tried weekly in the local courts. So far no Qataris have yet been prosecuted for selling visas, though foreign sources say it does go on.

Despite these figures, which to outsiders may seem disturbing in so tiny a State, Qatar society is one of the most harmonious in the Gulf. Relations between the Qataris and their foreign labour force, whether residents of 15 years standing, or just a humble construction worker on a two-year contract, do not seem to be characterised by the same tensions as in other countries. Foreigners are not so harassed by the authorities. Furthermore, when Qataris have assumed high positions—leapfrogging over a foreigner in the process

—the transition has been relatively smooth.

This harmony is not only detectable by the occasional visitor to Qatar. The State's white-collar workers—doctors, engineers and accountants—appear to feel a greater sense of security in Qatar than can be seen among foreigners in other Gulf countries.

Said one Palestinian: "The Qataris are really quite pleasant and gentle people, and I would rather work in Doha than any other place in the Gulf such as Saudi Arabia or Kuwait, even if the money is less." It was a rare compliment from a member of such a normally acerbic nation as the Palestinians.

Such sentiments augur well for the future, for Qatar will always have to rely on foreign labour. Imported workers continue to grow in numbers each year in Qatar, despite the anticipated drop owing to the slowdown in 1977. There were more work visas issued last year than in 1976—12,921 against 7,384. This does not reflect the true number of incoming labourers for when a worker is coming in for only a few months, the employer frequently does not get round to getting him a work permit, said Labour Ministry official. Illegal entrants such as immigrants arriving on remote beaches does not happen so much because of tight patrolling of the country's coastline.

Nevertheless, the foreign workforce is growing faster than was previously estimated. In the absence of any official up-to-date figures, the only reliable statistics are contained in an ILO report on Qatar's future manpower assessments which was made four years ago. It was estimated that by 1981 the workforce would be around 70,000. It is already 80,000. Of those 80,000 are in the private sector, and the rest is Government administration. Industrial needs currently absorb about 10,000 of these workers, though the number is expected to grow to 15,000 in the next five years.

Social codes

The Qatar Government naturally hopes that during the coming decade a great deal of its administration, oil and industrial sectors will be "Qatarised." However, one significant factor is that over 50 per cent of the Qatari population is under 16, and thus as yet outside the employment pool. Another factor is that the potential national workforce is as yet only currently half-used, for women are not able, because of social codes, to take on many jobs. Qatari women, when they do work, are confined mainly to teaching and nursing, two fields where they have done extremely well. If women are in future to be limited to certain roles, then their absence from the field will have to be made up by foreigners.

The ILO report concluded that by 1981 the estimated additional supply of educated manpower would be around 24,940; out of this 18,460 could be expected to continue further education, leaving 6,380. If employment of educated girls were limited to certain jobs and sectors, as at present, the availability of educated manpower would be reduced to 5,110.

Despite these handicaps, Qatarisation has made significant strides, if only because the authorities were determined on it in the first place, rather than accepting the easier alternative of employing Western experts at the top. The central bank staff, for example, are nearly half nationals, the industrial sector has 30 per cent Qatari content in its labour force, and in the oil industry the proportion is higher. QPFA (Offshore), for example, is reported to have 631 Qataris out of a total staff of 1,478. Of these 94 are senior staff, 104 are in the intermediate grades and 489 are at the operator level, which rebuffs the theory that every national wants to be a manager. The oil organisations are also taking a lead in training Qatari women as secretaries.

In the industrial sector, the national content tends to be slightly lower (QAFCO has only 150 Qataris out of 950 staff), but then nationals are to be found on the operating floor, often doing shift work, which represents quite a change in lifestyle for these desert people.

A frequent question asked by the more blunt-spoken visitor is why build industry at all? Why not invest money overseas, creating industry in the Arab countries, or simply live off the return from secure investment? That way, the theory goes, at least Qatar will not have the manpower problem and social imbalance at all. Mishaal, Qatar's industrial supremo, and himself originally a foreigner but now a naturalised Qatari, asks in reply: "What would you have us create here? Nothing? Progress comes through work, developing your country, a constructive learning process and through that comes civilisation. What would you have us do? Your way would only produce a nation of portfolio managers."

Kathleen Bishtawi

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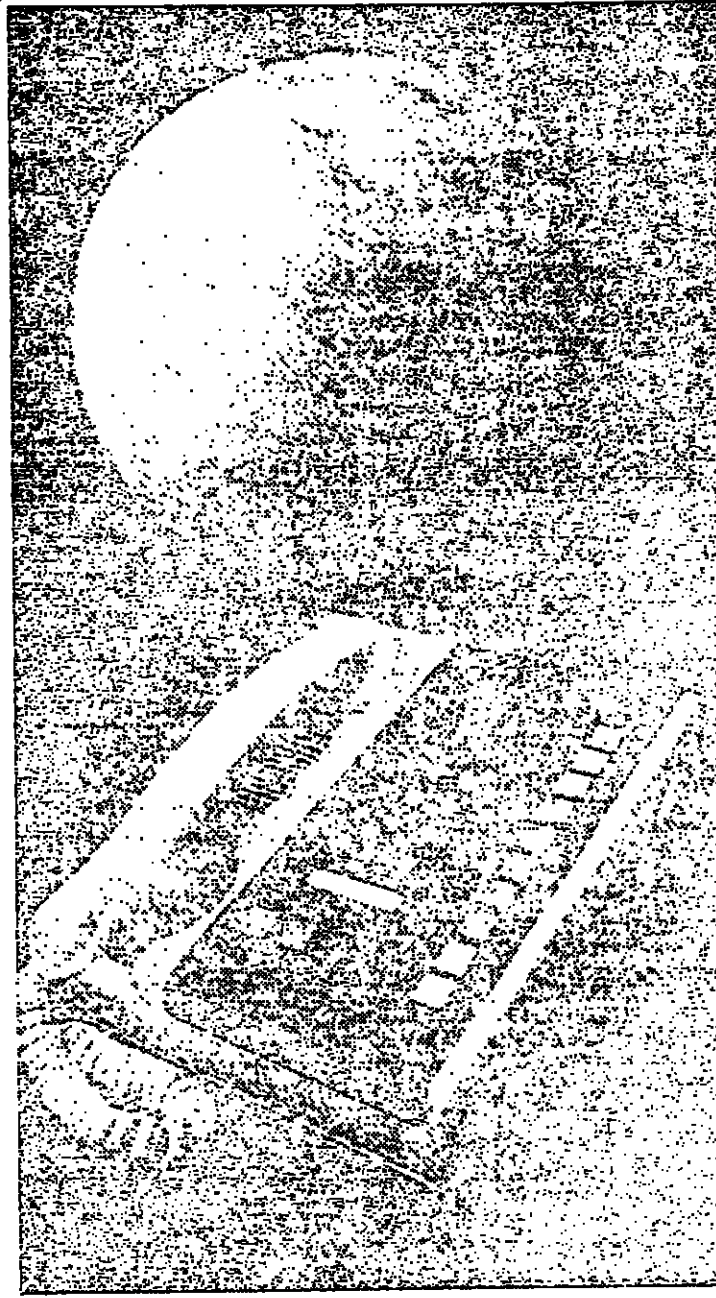
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QATAR VIII

Colourful myths of Arabian society

NOWADAYS, THE myths of traditional Arabian society are promoted not by newspapers and oil companies but by the ministries of information—public relations company network, which accounts for a lot of Gulf journalism, and sponsors glossy books on the region.

This publicity machine is at pains to avoid glamorising past economic conditions, even though a good number of expatriates seem to have ended up believing that there was something pure and romantic about the pearl industry, which in reality was financially unrewarding and as physically debilitating as any form of manual labour in the poorest Third World countries today.

The main distortion of traditional Arabian society, projected partly consciously and partly in sheer ignorance by the PR machine, is that it was harmonious, peaceful and presided over by benevolent rulers beloved of their subjects. Tales of fratricide, piracy and revolt are kept to the 19th century, where they are far enough away in time to be colourful and romantic but irrelevant to modern politics.

Favoured

Not all of the picture is false. The rulers were approachable, at least for those of their subjects who belonged to the communities they favoured, which normally included the various groups of Sunni Arabs but excluded Shias and immigrant foreigners.

Likewise, there were wise, strong and well-respected rulers, such as Abdullah bin Jasmin, who ruled in Doha from 1913 until 1948, and Hamad bin Isa, who ruled Bahrain in the 1920s and 1930s. In general, however, life in the Gulf before oil and in the early days of oil was more turbulent and riven with discord between communities than the Ministries of Information and the glossy books would have us believe.

The evidence lies in the memories of the older generation of Arabians, in a handful

of books written in the first half of this century, and in a huge number of files now declassified under the 30-year rule and kept in the India Office Library in London. There are the records of the British residency and agencies in the Gulf, which were established as outposts of the empire in India.

For the most part, they contain correspondence between the resident in Bahrain and the political agents in Kuwait, Bahrein and Muscat, which at first sight appears an unenticing prospect. In fact, the letters form an unedited and engrossing record of daily life in a dusty, lonely and desperately hot outpost of empire. Many of the participants, whose faded handwriting appears on the cream vellum of British correspondence, or the cheaper headed notepaper of the Arab merchant houses, are the famous names of modern Gulf history: Ibn Saud, Sir Percy Zachariah Cox, the resident at the time of World War I; Sir Charles Dalrymple Belgrave, adviser to the Rulers of Bahrain from 1925 to 1957; Yusuf bin Ahmed Kanoo, founder of the family that now owns the Gulf's biggest shipping and travel agency; and the Alghosabi brothers, who were Ibn Saud's representatives in Bahrain.

The India Office Library has been the basis of two books by Rosemarie Said Zahlan: in 1978 *The Origins of the United Arab Emirates* and now *The Creation of Qatar* (published by Croom Helm). Like its predecessor, *The Creation of Qatar* is an academic book which traces Qatar's history from the 18th century to the late 1940s, after which the records remain classified. There is then a short patch where the author skims quickly and tactfully over the 1950s and 1960s, when Qatar suffered a period of extravagant and ineffective rule, before she turns to an analysis of the politics and society of modern Qatar.

This section, the last third of the book, is less original than

the historical material but is certainly not a gloss-over. There are some wry comments on how the constitution tries to mould together modern legal language and concepts of government with the traditional system of rule understood by Qataris. The result is a document which renders itself almost null and void through giving the ruler powers to overrule all its provisions.

The book's major value, however, is in the historical material, and particularly in the material which covers the late 19th century and the first 50 years of this century. Whereas most books that have touched on Gulf "history" have confined themselves to a few travellers' accounts and anecdotes, *The Creation of Qatar* embarks on a proper analysis of what made Qatar emerge as a nation state, when it began as no more than a thinly-populated appendage of Arabia, with nothing in its racial make-up or social traditions to distinguish it from neighbouring pieces of territory.

Social traditions

The outcome of the analysis is that it was first of all quarrels within the Khalifa family, which now rules Bahrain and in the early 19th century ruled both Bahrain and Qatar, and then local resentment of the rule of one of the Khalifas, which led to the Khalifas launching a naval expedition against Doha and so provoking British intervention.

In setting what had been a flagrant breach of the maritime peace treaties which they had concluded with the main chiefs of the Gulf, the British found themselves dealing with Mohammad bin Thani, the representative of the people of Doha, whom they had not had occasion to deal with before. This in itself gave Mohammad a special status which was not dissimilar to that acquired by the rulers of the Trucial States. In the next stage of the path

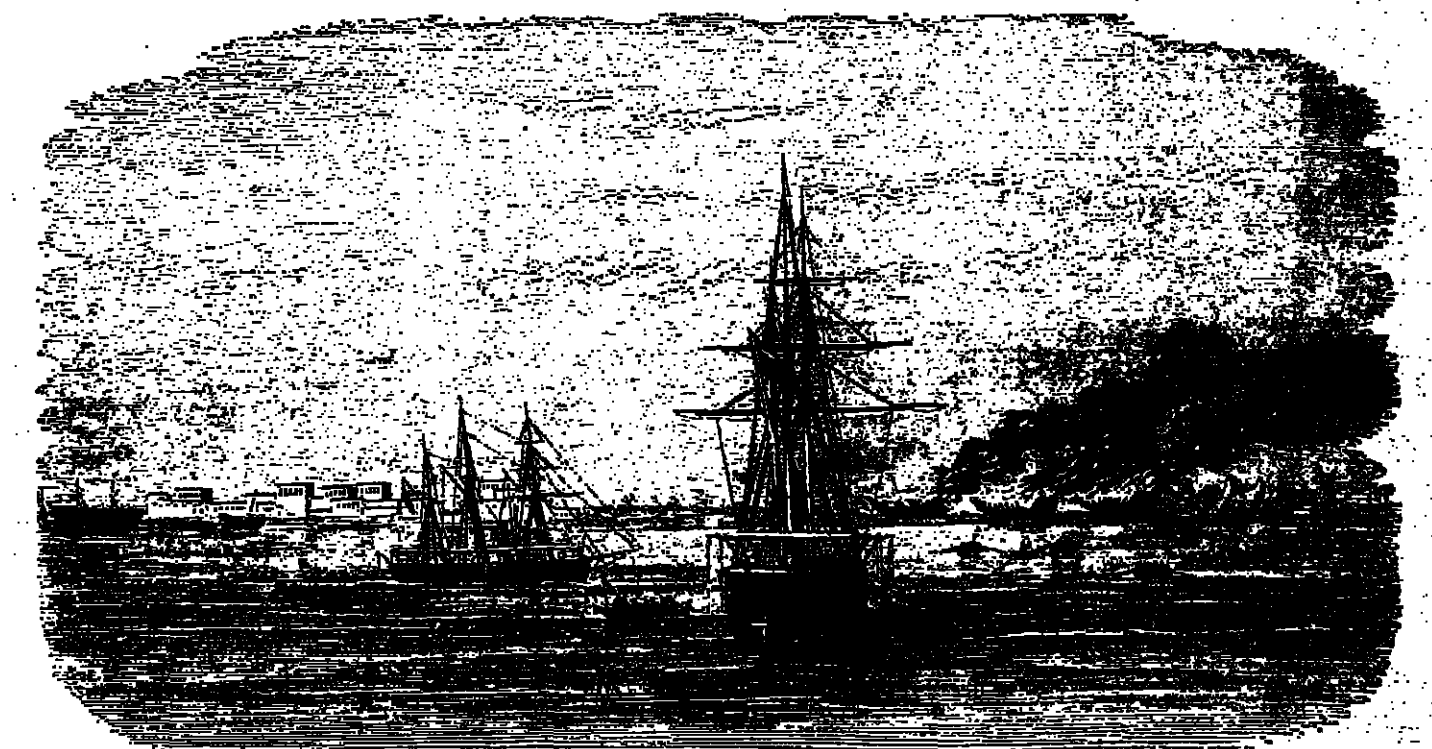
to nationhood Mohammad, his son Jasim and his grandson Abdullah proved themselves long-lived, courageous and clever rulers. They negotiated and fought successfully with the Turks, who reoccupied the peninsula and the Hasa area of eastern Arabia in the 1870s, and concluded further advantageous treaties with the British.

The mere fact of the long, uninterrupted leadership of three successors of one man, Thani, served to establish the family as the accepted rulers of Doha and most of the coastal areas of the peninsula. It is significant that even today many of the older members of Qatar's population seem not to make a distinction between the concept of the state and the person of the ruler.

Finally, the transition from a form of tribal independence to something approaching modern statehood (albeit under British protection until 1971) came about with the beginning of oil production in 1949. This enabled Qatar's rulers to embark on development programmes which in turn necessitated the creation of some of the apparatus of a modern state. An incidental but important side effect of oil was that in Saudi Arabia and all the Gulf states it diverted the rulers' attentions away from old quarrels and boundary disputes and onto more constructive matters.

Admittedly there are still some offshore boundary disputes outstanding, and a few land boundaries have been settled only within the last decade, but in Qatar's case the coming of oil led quickly to a formal agreement on the land frontier with Saudi Arabia and the tacit abandonment of the longstanding Khalifa claim to Zabara, a small town on the northwest of the Qatar peninsula.

In the course of her analysis of the making of a Gulf state, Mrs. Zahlan tells a lot about the day-to-day realities of Gulf society and politics in the first half of this century. It is here that she explodes part of the publicity mythology. This is



Pirate dhows burning in the Persian Gulf after an attack by British naval ships. From a print of 1868.



Left: the souk in Doha, a traditional part of Middle East life, and (right) the new souk which is under construction.



important not just in an academic sense. The relationships of the past help set the pattern of Gulf politics today, and in what may turn out to be a period of instability in the region old political enmities and ambitions are quite likely to come to the fore again.

Most obviously there is the question of the status of the sheikhs before oil. It is widely known that in the 1930s and 1940s the members of the various ruling families were much less a class apart from the rest of the population than they have become since oil revenues made it possible for the rulers to enrich them.

What is not so well known is that virtually the only people to have any superior status at all were the ruler, known as the Sheikh, and his deputy. Other members of the families were not referred to as "Sheikhs" and often did quite menial tasks. There were truck-driving mem-

bers or watchmen members; Sheikh Nasser bin Khalid, the present Qatari Minister of Commerce, used to be the sergeant of the night watch.

Another aspect of Gulf politics before oil that was not as it is imagined to be today concerns relations between the Gulf states and Saudi Arabia. For most of the last 30 years the Gulf rulers have been able to deal with the Saudis on reasonably equal terms, because until recently the Gulf rulers had more spare funds at their disposal and up to 1971 were protected by the British.

Much in awe

However, before oil enhanced their status and before the British became deeply involved in the Gulf after the Second World War, the Gulf rulers were much in awe of Ibn Saud, and Ibn Saud in turn seemed

always to be on the look out for opportunities to incorporate parts of neighbouring territory into his own kingdom.

There were constant attempts to extend Saudi authority over people of central or eastern Arabian origin in the Gulf states, and the sheikhs of the Gulf seemed only too ready to cave in to this pressure. This was much to the annoyance of the British, who spoke on one occasion of the sheikhs developing a "Bin Saud complex."

In Qatar and the Trucial States in the 1920s and 1930s the rulers paid taxes to Ibn Saud, and in Qatar the ruler tacitly acknowledged that the desert areas of the interior of his sheikhdom were subject to Ibn Saud's authority. Because the British role in the Gulf was concerned mainly with the sheikhs' relations with outside powers, an impressive amount of the correspondence in the India Office Library is

inevitably concerned with the encroachment of Saudi authority.

There is no disputing that oil revenues have made all of the Gulf states more distinct entities than they were, but the sheer volume of India Office correspondence on the subject alters one's established perspective on Saudi-Gulf State relations and makes one wonder how independent the Gulf states seem today when viewed by Arabian eyes in a purely Arabian context.

Anyone who has been in frequent touch with the Arabian oil states in the past five or six years cannot fail to have noticed how much more Saudi orientated the ruling families and the merchants have become, and how much more the Gulf rulers look to King Khalid not as a fellow, and equal, head of state, but as a tribal chief of all Arabia.

Michael Field

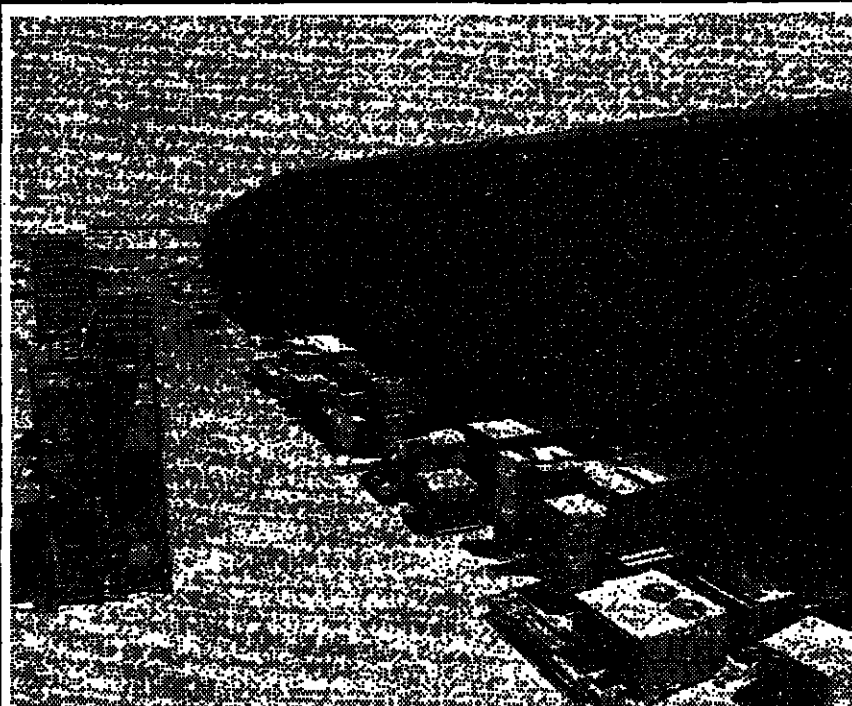
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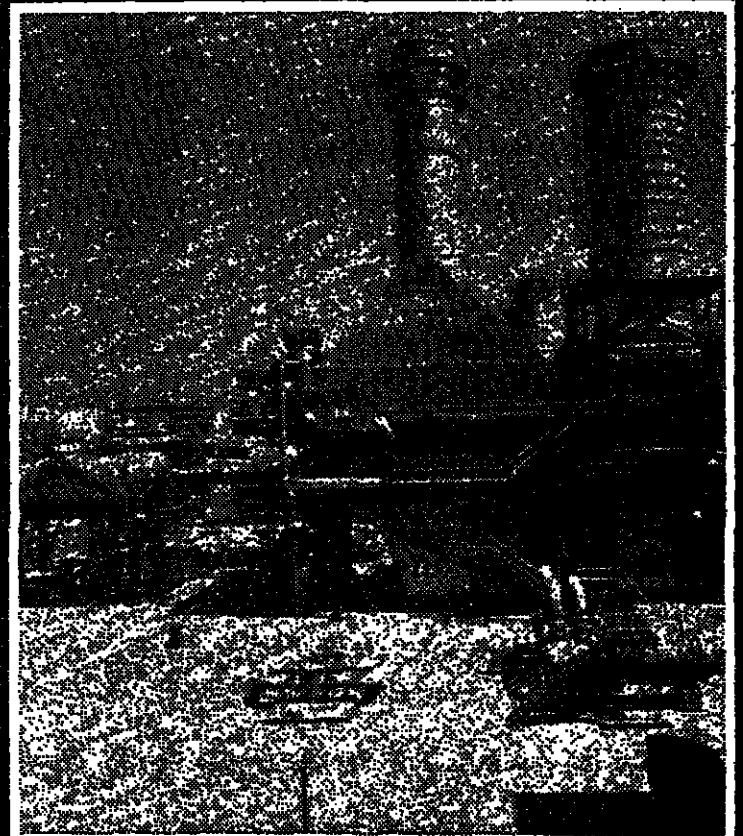
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Mrs. Thatcher's overmighty baron

MRS. MARGARET THATCHER is turning out to be a weak Prime Minister. There is no other explanation of why Mr. James Prior, the Employment Secretary, has not been dismissed from office, or at least the political equivalent of confined to barracks.

On Monday Mr. Prior gave what is known in the trade as an unattributable briefing to labour correspondents. In the course of it he suggested that the Government had no confidence in the management of the British Steel Corporation and that its Chairman, Sir Charles Villiers, might have to be replaced before he is due to retire in September.

An unattributable briefing means that the correspondent may report what has been said, but may not reveal directly who said it. Thus on Tuesday morning newspapers appeared in most government support for Sir Charles, but with no direct attribution to Mr. Prior.

One Tuesday afternoon Mr. James Callaghan, the Leader of the Opposition, raised a question in the House of Commons. Was it not extraordinary, he asked Mrs. Thatcher, that a Government Minister should be appearing to undermine the authority of the BSC management in the middle of the steel dispute, and did she have any idea who the Minister was?

Not surprisingly, Mrs. Thatcher ducked the issue. She entirely agreed with Mr. Callaghan that the position of the BSC Chairman should not be undermined. Sir Charles and the trade union leaders had a job to do in settling the strike, and she had every confidence in him to do it.

Mr. Prior was sitting two places away from the Prime Minister on the Government front bench. He may have

turned a deeper shade of pink, but that is all. And there the matter rests, or does it?

The point about the story is not whether Mr. Prior's views of Sir Charles Villiers are right or wrong. Indeed his views were already well enough known to anyone who cared to ask before this week's reports appeared, and they may very well be correct. The point is about the authority of the Government.

Before the Tories were returned to office, they made great play of the Labour Government's weakness. Mr. Callaghan, it was suggested, might have his instincts in the right place as Prime Minister, but he was inhibited by his party's left wing and, in particular, by Mr. Anthony Wedgwood Benn who was entrenched in the Cabinet even though he frequently reserved his position on the Cabinet's decisions.

The Tories were right. Both Harold Wilson and then Mr. Harold Wilson before him would have liked to have dismissed Mr. Benn from office. Yet they could not, or dared not, do so. They feared that Mr. Benn outside the Cabinet might be a source of considerably more trouble than Mr. Benn inside. The very act of getting rid of him could have led to a revolt. They exaggerated perhaps, but it is hard to avoid the conclusion that Mrs. Thatcher is in a similar dilemma with Mr. Prior.

Mr. Prior represents the alternative Tory Government. It is not just a matter of what he lacks to the Press about the management of BSC. The Employment Secretary tends to distance himself from the whole range of current Tory economic policy. Whatever the Treasury Ministers say or do, he is ready with a nod or a wink, and sometimes a good deal more, to



The Prime Minister (right): problems with Mr. Prior. Mr. Whitelaw (left): re-emergence to the forefront

suggest that there are alternative approaches.

It is true that there are other members of the Cabinet who think in the same way, but they are less directly concerned with economic questions. It is Mr. Prior who stands in readiness for the celebrated U-turn if and when present policies are shown to have failed. In doing so he encourages the belief that the U-turn will take place and undermines the authority of the Treasury team as well as of Sir Keith Joseph at the Department of Industry. After all, if some members of the Cabinet do not support the Government's economic policies, it becomes harder for everyone else to believe that the policies will be adhered to.

One is not saying that Mr. Prior is in any way winning. As a matter of fact, his alternative policies are rather unclear. He remains open to the charge that the sort of approaches he favours have been tried before and have only led to our present unhappy

position. In the part of the Cabinet that matters on economic affairs, this is still the dominant view.

The political conclusion is different. It is that the Government is not very well organised and not very strongly led for the part of the Government that matters on economic affairs. The similarities with previous Labour Governments are too close for comfort. The Employment Secretary is an overmighty baron with access to the media.

As for the working paper on secondary industrial action which was published this week, it has been claimed, largely by Mr. Prior, as a victory for the doves. Yet when one thinks about it more closely, it is more a victory for common sense. It is hard to see how the Government could have gone any further than it is proposing to do in limiting trades union immunities unless it wished to ban secondary action altogether. Nor could the paper have been issued without Mrs. Thatcher having been convinced. One

detects, in particular, the hand of Mr. William Whitelaw, the deputy Prime Minister.

Mr. Whitelaw is a law and order libertarian, if that is not a contradiction in terms. He believes that liberties must be preserved, including the right to strike and the right to demonstrate, but also that the law must be enforced. It was no coincidence that the paper on secondary action was published on the same day that the Government reasserted the need to uphold the existing law.

Mr. Whitelaw called in the Chief Constables and reminded them of the full extent of their powers. It is not just a matter of arresting pickets who appear to be breaking the criminal law. It is much more a question of preventing such actions in the first place. One may assume that the full resources of Home Office surveillance are now at the Chief Constables' disposal.

The operation at the Sheerness Steel works on Wednesday, for example, turned out to be rather well planned by the authorities. The workers

arrived at 4 a.m. before the pickets were on the scene and left the plant at night after the pickets had departed. It is still a funny way to conduct industrial relations, but it is better than the pitched battle that once seemed threatened. The Home Office appears to have a remarkably full knowledge of what is going on. Mr. Arthur Scargill, the Yorkshire miners' leader and picket par excellence, is being quite closely watched.

Mr. Whitelaw's re-emergence at the forefront is striking in another way. He is widely categorised as a dove, though one who sometimes compromises under pressure. For instance, on immigration, Treasury Ministers have long speculated that he may be a hawk and their own best ally in Cabinet. And so it is turning out. Mr. Whitelaw may be a dove on tactics, but he is a hawk on strategy. As deputy Prime Minister, he is a far more important voice in the Government than (say) Mr. Prior and, when it comes to

experience, possibly even than Mrs. Thatcher.

Ministers tend to be haunted by memories of the previous Tory Administration. Yet the lessons to be drawn from 1970-74 are various. One, apparently drawn by Mr. Prior, is that the Government left it too late to try to do a deal with the unions. Another is that the Tories did not become unpopular enough early enough to allow themselves time to recover before a general election. That would be the view of Sir Geoffrey Howe and Mr. John Biffen at the Treasury and is the rationale for the 15 per cent VAT and the top tax cuts introduced in Sir Geoffrey's first Budget. It appears also to be the view of Mr. Whitelaw. The deputy Prime Minister believes that this Government has made tactical mistakes, but that the economic strategy must be preserved.

None of that alters the impression that the Government is ill-organised and weakly led. To take just one example: it might have been useful if Mr. Whitelaw himself and Sir Michael Havers, the Attorney General, had re-asserted the limits to picketing somewhat earlier. After all, the possibilities of using the criminal law were outlined to the House of Commons by the then Labour Attorney General, Mr. Sam Silkin, only a year ago, yet until this week the Tories seemed to have forgotten. Nevertheless, it would be wise not to take too seriously the view that it is only a matter of time before the Treasury team is replaced by the Tory paternalists and the U-turn begins.

We may end, however, with another illustration of the lack of central direction. On Monday Mr. John Nott, the Trade Secretary, announced import controls on certain synthetic textiles. Mr.

Nott is a free trader. There is no evidence that he believes that the measures will work and indeed "working" in this context has not been defined.

The key question was posed by Mr. Enoch Powell. "What," he asked, "in the Government's view is the basis of this policy? Is the importation of these items to be controlled because they are priced too low or because they are priced unfairly?"

In other words, was the Government resorting to protectionism or reacting against dumping?

Mr. Nott appeared deliberately or otherwise, not to understand the distinction. Instead he lapsed into some improvised waffle about the nylon yarn industry in Northern Ireland, one of whose constituencies Mr. Powell represents. Yet the fact is that the controls have been introduced because of pressures from the industry and pressures from the constituencies, including Tory constituencies, and the Government did not stand up. The widespread reaction among those who had demanded the measures was that they were not enough; they will be back asking for more. Tory MPs among them. What is the Trade Secretary going to do then?

It is hard to believe that restrictions on the import of polyester filament yarn are meant to be the prelude to wider controls: for instance, on steel or cars. But it is equally hard to see how the restrictions fit in with the Government's economic philosophy. It is certainly possible to conclude that, in these days of the decline of authority, one government behaves much like another.

Mrs. Thatcher, so far, is neither a strong, nor a consistent, Prime Minister.

Malcolm Rutherford

Letters to the Editor

Non-executive directors

From Mr. J. Drum.

Sir—As a chartered secretary and also a director of a company, I was interested by Geoffrey Owen's article (February 19) on "The pros and cons of non-executive directors."

Certainly, the article failed to stress one fundamental aspect of the law of directorship: that is, there is no difference between a director who has executive responsibilities and one who has no executive responsibilities. Qua director they are equal. They are equally responsible as trustees of the company's assets; they are jointly and severally liable as agents of the company; and they owe equally the same fiduciary duties to the company.

The fact that in practice some directors are also employees of the company, that some directors spend all their time on the affairs of one company whilst others share their time with other companies, makes no difference whatsoever in law.

The present strict legal position of a director demands a high and equal standard of performance. The proposed amendments to the Companies Bill, now going through Parliament, which would require a non-executive director to report to shareholders on the performance of his executive colleagues should be resisted. Such amendments could lead to divided boards by the creation of two classes of director each with different functions and differing responsibilities. If not confusion, the result could well be a lowering of the present high standard set by the law.

J. D. F. Drum,
2 Arrington Gardens,
Chiswick W4

Small craft foundries

From the Chairman,
Economic Development
Committee for Foundries

Sir—Dr. Hitchens (February 19) has now turned to pure invention in his criticism of the small craft foundry report: nowhere does it put forward "blanket proposals to subsidise all small foundries." Our capital loan scheme would be of value only to foundries that were basically profitable. Its monetary cost to the Exchequer would be nil, its real cost peanuts.

T. S. Kilpatrick,
Midbank Tower,
Midbank, SW1

Supplying the 'specials'

From Mr. L. Hall

Sir—Our modern industrial world demands all manner of variants, and it is often the ability to offer the "specials" which ensures that a company does not lose the business for the more lucrative "standards."

Dr. D. Hitchens (February 5, 11 and 19) persists with the view that it would be advantageous to allow the small foundry sector to continue to decline by allowing the inefficient to leave the industry at their own pace. This implies that it is only the inefficient foundries which have to close—when in fact many good foundries fall

victim to cyclical business patterns simply because large fluctuations in customers' requirements become magnified when viewed as changing demands upon casting suppliers. Nor incidentally would it be efficient for the large automated foundries to try to produce one-off castings—at any price!

Whenever the foundry industry is looked at in times of recession, it is not difficult to conclude that there is a chronic over-capacity situation—but thank goodness NEDO has not been so short-sighted.

Leslie V. Hall,
Richmond House,
34 Almondbury Close,
Huddersfield,
Yorks

Threat to carpets

From the Chairman,
Shaw Carpets

Sir—As a nation dependent upon worldwide trade, we must as a general principle eschew protectionism.

When an industry is under assault from subsidised competition, however, action must be taken to prevent decimation. Even the most efficient UK carpet companies are under threat from the U.S. carpet industry which benefits so significantly from low cost oil feedstocks.

Until such time as the U.S. brings its domestic oil prices into line with world prices, it is essential that restrictions are imposed on imports of U.S. man-made tufted carpets otherwise segments of the UK carpet industry will disappear and redundancies will be widespread.

The absurdity in the present situation, is that there are quotas on U.S. nylon carpet yarns which is a positive inducement for the importation of U.S. nylon tufted carpets.

James Hartley,
Darton,
Barnsley, Yorks.

Move to new products

From Mr. M. Subhan

Sir—The answer to Mr. Wheatley's problem (Feb. 15), is contained in the figures he cites—outward processing and a higher level of imports from countries which have advantages in comparative costs. These countries, he may be surprised to learn, include the United States.

If Mr. Wheatley will look at the very detailed statistics published by the European Community's statistical office, he will find them after item in textiles for which the EEC's main outside suppliers are Class I countries (defined as "Western industrialised third countries"). In fabrics, for example, Class II countries ("developing countries") lead in exports of grey cloth only. Even for such an item as cotton T-shirts, the item as cotton T-shirts, the major outside suppliers in 1978 were the Class I countries. They also outdistanced Class II suppliers as regards a wide range of other garments.

The developing countries clearly have no monopoly on textile exports as European manufacturers so often imply. (Not a word in Mr. Wheatley's letter about U.S. exports, which

are taking a growing share of the EEC market.)

In any case, the UK industry should be moving into new products, whose manufacture requires grey matter rather than elbow grease. Rather than try to make a living at any cost in textiles, Mr. Wheatley should be using his superior skills in industries which can bring him higher returns—not fulminating against developing countries, which represent a major UK market for capital goods, for example.

Some years ago a major Belgian chemical company proudly announced that 40 per cent of its current output consisted of products unknown 10 years before.

Malcolm Subhan,
Groatstraat 49,
B-1900 Overijse, Belgium.

Trade in textiles

From the Chairman,
Stewart Nairn Group

Sir—As members of the Knitting Industries Federation we are daily faced with the problems to which Mr. Wheatley refers (February 15). I agree that there is a vast volume of un-informed comment in relation to the problems of our UK textile industry.

I must, however, take issue with Mr. Wheatley when he compares UK labour costs of £1.14 with their Far Eastern equivalent. I have been involved with the Far East for 20 years and I can say with authority that one would have to go back seven years to find the kind of labour charges to which Mr. Wheatley refers. In 1973 cotton singlets could be imported and landed in the UK at 18p per garment, at a time when there was no 18 per cent duty payable. Today, it is quite impossible to achieve these values, even in Bangkok. Resulting from EEC provisions to limit "cheap" imports, the quota has been divided in such a way that today's relatively high costs areas like Hong Kong, are allocated high quota for simple garments which they cannot produce competitively against lower cost areas such as Bangkok. In contrast low cost areas, such as Bangkok, have been allocated a high level quota for more sophisticated garments, which they are less able to supply competitively, whereas they have received a relatively small quota for simpler garments.

Without making too much of a meal of it the above results in quota "farming" and in 1978 scarcity led to cotton garments offered for sale at prices as high as 80p per garment. The system for distribution of quota did, not just "happen" as one might gather from the protests of the Hong Kong textile lobby which is at least as eloquent as its UK counterpart. Incidentally, if Mr. Wheatley was referring to cotton garments, I can point to several UK companies who are able to offer very much better values than those he quoted. Obviously, it would not be appropriate for me to be specific, but I am aware that one well-known multiple organisation is purchasing UK produced T-shirts at a total price which is lower than the labour cost referred to by Mr. Wheatley.

On the subject of interest rates payable in the Far East whereas they are lower than in

the UK they could not be considered a subsidy as such. There is indeed an emerging problem insofar as certain low cost Mediterranean countries are concerned, but if Mr. Wheatley cares to read the official journal of the European Communities which is published daily, he will find numerous references to safeguarding this and I quote an example. "Commission decision of January 18, 1980, authorising the UK not to apply community treatment to certain products falling within heading No. 60.04 of the common customs tariff originating in Rumania and in free circulation in the other member states."

N. I. E. Ostrom,
52-53, Margaret Street, W1.

Indexation and investment

From Mr. G. Thompson

Sir—Samuel Brittan has in a number of recent articles put forward the case for relating interest rates on government stock to the rate of inflation. The obvious good sense of his views has led me to wonder whether there would be an even greater benefit were we to take this one logical step further by indexing not the interest rate but the nominal value of the security. This would obviously cause administrative difficulties in a traded stock but the possible advantages are large enough that this might be a small price to pay.

By providing an inflation-proof home for savings or investments a very low interest rate would be possible. Indeed, neither a nil nor negative rate is out of the question although the psychological advantage is with positive rate, however small. It would avoid the present market disturbances caused by the massive cash flows currently involved in paying a high rate of interest and raising more money in the market to finance this on top of the Government's borrowing to cover expenditure. It would impart a greater reality of the actual size of the Government's borrowing requirements. There is a good deal of evidence to suggest that the greatest problem caused by inflation is the distortion of relative reality that it produces. If this is so, this final point may be of greater importance than it might at first sight appear.

To take up another idea propounded by Mr. Brittan, were the issue of such new stock accompanied by an offer to convert all existing borrowing into similar stock, then the mechanism of funding the PSBR would be improved and one of the dilemmas over setting current interest rates would be resolved.

The change I am suggesting is a procedural one rather than a "real" one and as such may appear to do little or nothing to improve the real economy. I am convinced, however, that much of the problem with the real economy lies in the attitudes of the people involved, whether in the Government, the trade unions or in the boardroom. Any change, even an apparently cosmetic one, that sharpens the country's perception of reality could produce massive benefits.

Graham Thompson,
158 Pennsylvania Road,
Exeter,
Devon.

Today's Events

UK: British Steel Corporation, Iron and Steel Trades Confederation, and National Union of Blastfurnacemen representatives resume pay discussions.

Print unions meet employers on pay offer.

National Amalgamated Stevedores and Dockers Union mass meeting on London Enclosed Docks pay offer.

Mr. David Howell, Energy Secretary, lectures on energy policy in the UK, Surrey University, Guildford.

Institute of Directors launch European Association.

National Association of Pension Funds conference concludes, Eastbourne.

Sir Peter Gadsden, Lord Mayor of London, attends John Carpenter Club dinner, Mansion House.

The Queen opens the Elmsleigh Centre, Staines.

PARLIAMENTARY BUSINESS
House of Commons: Private

COMPANY RESULTS

Final dividends: Alliance Trust, Lloyds Bank, Interim figures: Ewart North Eastern.

LUNCHTIME MUSIC, London
Organ recital by Gary Desmond, St. Paul's Cathedral, 12.30 pm.

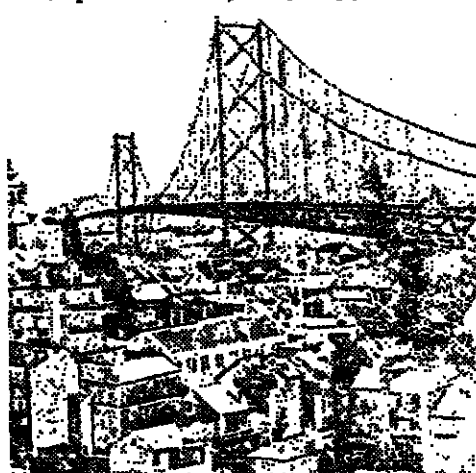
Recital by the French Song Class directed by Robin Bowman, Goldhill School of Music and Drama, 1.10 pm.

Piano recital by Vivian Ruffield, St. Martin-in-the-Ludgate, 1.15 pm.

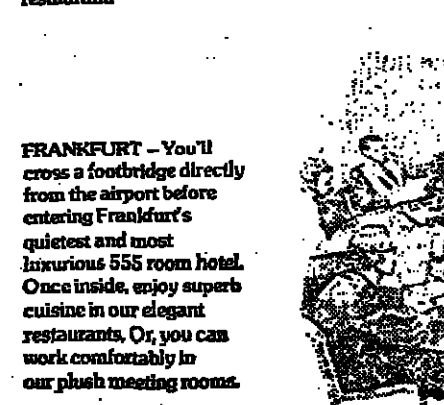
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LISBON—The Lisbon Sheraton is another best, the best hotel in this beautiful city. Enjoy this exquisite view with your dinner in our lavish rooftop restaurant.



FRANKFURT—You'll cross a footbridge directly from the airport before entering Frankfurt's quietest and most luxurious 555 room hotel. Once inside, enjoy superb cuisine in our elegant restaurants. Or you can work comfortably in our plush meeting rooms.



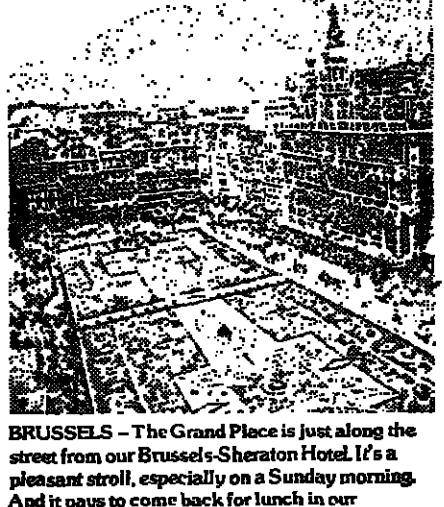
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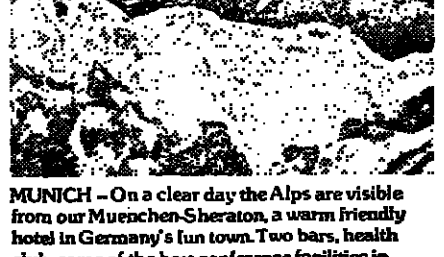
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Mooloya in move to restore liquidity

A MOVE was announced yesterday to help restore the liquidity of Mooloya Investments, owner of the Customagic stretch cover business whose shares were suspended last December after a delay in the accounts.

At the same time the company warns that the accounts for the 16 months to October 31, 1979 will be heavily qualified.

Conditional agreements have been signed between Customagic Manufacturing and Customagic Europe which extend Customagic Europe's trade mark licence worldwide and limits Customagic Europe's liability to further royalties to \$0.7m.

This is payable as to \$0.3m when the conditions are fulfilled and \$0.4m over a period estimated to be two and a half years but which cannot exceed four years.

The agreements do not provide for Customagic Europe's purchase of trade mark registration.

The directors of Mooloya are making every effort to reach agreement with the trustees of the loan stock and their advisers.

The company also discloses its trading results for the six months to April 30, 1979. These show turnover of £1.77m against

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

| TODAY | |
|--|---------|
| Interim—Second Alliance Trust, Fidelity—Alliance Trust, Carlini Investments—Alliance Trust, Channel Islands and International Investment Trust, Lloyd's Bank, Tynedale Investment Trust. | |
| FUTURE DATES | |
| Interim— | |
| Campani International | Feb. 28 |
| Footwear Industry Invest. | Feb. 28 |
| Land Investors | Apr. 21 |
| English and Scottish Investors | Feb. 28 |
| Hallam Sleigh and Cheston | Mar. 5 |
| Invest. in Successor Equities | Feb. 28 |
| Isle of Man Enterprises | Mar. 3 |
| Reliance Assurance | Mar. 13 |
| Tavener Rutledge | Mar. 6 |
| Trade Indentment | Mar. 18 |
| Unilever | Mar. 4 |
| Unilever NV | Mar. 4 |
| Ward Investments | Mar. 4 |
| Waterford Glass | Feb. 28 |

\$0.97m for the 16 months to end October, 1979. There was an attributable loss of £0.33m (£0.16m loss) after exceptional expenditure of £83,100 (£24,819). The loss per £1 share is 51.63p (14.09p).

Westland chief quizzed on helicopter board changes

BY LYNTON MCLEAN

SHAREHOLDERS questioned Lord Aldington, chairman of Westland Helicopters, at yesterday's annual meeting about Board changes at Westland Helicopters.

Earlier this week Mr. John Speechley was replaced as managing director of the helicopter company by Mr. Basil Blackwell, the chairman who is also chief executive of Westland Aircraft.

Lord Aldington said: "I do not believe we should go hunting for incorrect explanations (of the change-over) as this could lead to fears of industrial upset in the company."

However, Mr. Jeremy Ashdown, a shareholder and the Liberal Parliamentary candidate for Yeovil—the Westland base—at the last election, said he thought the change-over was linked to differences over pay-bargaining procedures and employee participation.

It is understood that Mr. Speechley may have been more committed to achieving greater employee participation in the management of Westland Helicopters than the new managing director.

However, Mr. Blackwell has recently appointed Mr. Michael Webber, the former electrician's convenor at the Yeovil works, to be his personal adviser on participation.

Lord Aldington told shareholders that participation had been examined very thoroughly over the next one or two years. But he said profits were not as

Westwood Dawes recovers to £122,000

Continuing the progress made at halfway, Westwood Dawes and Co., structural and mechanical engineering engineers, reports a turnaround from a loss of £23,453 to a pre-tax profit of £121,814 for 1979.

At the interim stage the recovery was from a deficit of £7,186 to a surplus of £55,183. The directors said then that the order intake for the last three months had been less satisfactory and it was not possible to state that full-year results would be commensurate with those being reported.

Yearly earnings per 25p share are 4.48p (0.76p loss) and the final dividend is 1.5p net for a 2.5p (nil) total.

Turnover showed an advance of some £0.49m at £2.21m, and this time there was a tax charge of £65,943, compared with a credit of £13,580.

TREASURY STOCK

The Bank of England announces that the Treasury will make no conversion offer in respect of holdings of 94 per cent Treasury Stock 1980. This stock will be redeemed at par on May 14, 1980.

INVESTMENT TRUSTS

Capital & National higher

Gross income of Capital and National Trust advanced from £645,486 to £914,888 in the half-year to January 31, 1979, including some £129,000 relating to special payments from Shell and Unilever.

Net income came through higher at £571,507, against £572,763, after tax of £390,997 (£228,632). In the last full year, net income reached £781,476 (£701,636).

An unchanged net interim dividend of 1.75p has already been declared.

ANGLO-INTNL INVESTMENT

Earnings of Anglo-International Investment Trust increased from £345,380 to £481,217 for 1979, before tax of £156,336 against £123,482.

A final dividend of 3p (2.6p) raises the total from 3.5p to 4.5p net per 25p share. Payments absorb £270,000 (£216,000) and £54,381 (£5,918) was transferred to contingency reserve.

UPDOWN

Net income of Updown Investment Company increased from £62,400 to £87,062 in 1979 after all charges including tax of £44,577 against £50,218.

The dividend is raised from 1.3p to 1.75p. Net asset value per 25p share at December 31, 1979, was 77p (64p). Gross revenue improved from £158,859 to £180,902.

BIDS AND DEALS

Ceramics still holding out against Blue Circle offer

Ceramics Investment, the Lebanese based shareholder in Armitage Shanks, reaffirmed last night that it would not accept Blue Circle's offer of over £30m for Armitage.

The announcement came as Blue Circle was counting acceptance on the offer. Ceramics has a key shareholding of over 25 per cent.

Blue Circle is expected to make a statement this morning.

Ceramics said last night it will not sell its stake on Blue Circle's current terms. It added that, in building up its stake in Armitage, two factors were involved.

First, and most important, it believed the stock market had undervalued Armitage's earnings. The sanitaryware industry has

recently recovered from the surplus production capacity that built up in 1973-74. Armitage should be able to maintain, if not improve, its profit margin and turnover in real terms.

Also, Armitage still has untapped potential in its tremendous grand name and in the opportunities for further diversification in the home improvement market.

Ceramics said that Blue Circle recognises the potential although Ceramics did not believe the offer compensated for this.

Ceramics regrets that Blue Circle's offer document did not include estimates for Armitage's profits to March 1980 and Blue Circle's profits to December 1979.

On the second factor, Ceramics said it is itself engaged in the sanitaryware industry in the Middle East and has discussed with Armitage the opportunities for mutual co-operation in marketing and production in that area.

It was pleased Blue Circle offered to continue the discussions on the co-operation in the Middle East and to extend them to other areas such as cement and shipping.

The resolution to reorganise the capital of Armitage Shanks Group in connection with the offers from Blue Circle Industries was passed unanimously at yesterday's extraordinary general meeting.

Royco directors reject offer

Independent directors of Royco, the property development concern, have urged shareholders to reject a bid which values the company at £10m from Mr. Roy Strudwick, the group's former chairman and largest shareholder.

Mr. Strudwick, who is still a director of Royco, is making his 50p per share cash offer through Boverbank, a company controlled by him.

The independent directors say that the profit for Royco for the year ending December 31, 1979, is estimated to be approximately £5.2m compared with some £2.8m in the previous year.

The marked improvement in profit for 1979 reflects the significant increases in property values that occurred during 1978 and 1979 combined with an increase in the number of commercial properties sold during the year.

The independent directors say that trading results should continue to be satisfactory in the current year.

Net assets after tax, but before allowing for the final dividend, are currently estimated to amount to 49p per share. Shareholders are reminded that provisions amounting to £7.3m (equivalent to 36p per share) have been made in estimating net assets per share to allow for all taxation that could arise on present trading profits and the surplus arising from the revaluation.

Of the amount £5.6m (28p per share) is deferred tax or taxation which will not be payable before the latter part of 1981 at the earliest. There are no borrowings and cash balances at present amount to £3.7m.

On the basis of the estimated profit for 1979 the independent directors would expect to recommend a final dividend of 2.0p per share, which together with the interim dividend paid in December 1979, would provide a total for the year of 3.5p per share.

As Bonnerpark already owns more than half of Royco's shares, consideration has been given to the position of members as minority shareholders.

Bonnerpark has stated that it will endeavour to maintain the listing of the shares and that it intends to continue and develop the business of Royco, subject only to a future dividend policy which may be influenced by the necessity to receive dividends in order to repay borrowings.

In these circumstances the independent directors do not believe that the effective increase from approximately 37 per cent to just over 50 per cent in Mr. Strudwick's holding will adversely affect the position of shareholders.

But the independent directors regard the offer as inadequate being only equivalent to the fully taxed net asset value. The bid does not include any premium reflecting either the strength of the balance sheet or the potential for future profitability.

The only independent director, Mr. R. M. Clarke, who holds shares—500 in all—will not be accepting the offer.

See Lex

Further effort to block Thorn's move into French TV rentals

BY TERRY DODSWORTH IN PARIS

THE seven-month-old bid by Thorn, the UK electrical group, for France's Locatel TV rental company, appears to have run into a further road block mounted by the French authorities.

Two of France's large electrical equipment manufacturing companies, CGE and Thomson, are believed to have been persuaded by the Government to examine the prospect of a counter-bid for Locatel.

This new move in the Locatel affair follows the reference of the bid to the French Monopolies Commission shortly after the FFR 240m (£25.5m) offer, was made last June. This step by the Economics Ministry was widely regarded as an obstructive move to hold up the British bid, since Locatel is still only a small company and Thorn

not yet established in the French TV rental market. Although the results of the Monopolies Commission inquiry have not been made public, it is believed that the findings were in favour of letting the bid go through. The dossier has been handed over to the Economics Ministry, which decides on the action to be taken on Monopolies Commission references, but no move has been made to implement the Commission's recommendations.

The search for a French solution to the Locatel case seems to be partly based on fears that Thorn might bring a flood of foreign television sets particularly Japanese, into France. Because of Thomson's dominant position in French TV set manufacturing, it was first contacted to consider a counterbid but

found the price too high. The CTE Alcatel Division of CGE was then brought in on the talks, partly because it has done joint deals before with Thomson, and partly because of its interests in information systems which use television sets.

Although neither of these two French companies would comment yesterday, it is believed that a decision must come soon, because of the long delay which has already occurred on the Thorn bid.

The main shareholder in Locatel, which had a turnover of FFR 241m (£25.6m) last year, and has about 180,000 sets on hire, is the Eurofinance subsidiary of the Lazard Bank with 36 per cent. The other main shareholder is Sofipa, a subsidiary of the Elf oil group, which has almost 14 per cent.

Bunzl sells Austrian holding

BY ALAN FRIEDMAN

BUNZL PULP AND PAPER, has agreed to sell its 99.79 per cent holding in Bunzl & Black, Vienna, and a 25 per cent stake in Molnar & Greiner, a wholly owned subsidiary of BPP, to two Austrian companies. The Austrian groups are Papierfabrik Laakirchen and Papierfabrik Laakirchen Ein- und Verkauf.

The agreed sale values the two holdings at ASch 317.5m (£11.68m). It is to be adjusted by the amount by which the basic consideration for the previously agreed sale of the Wattens Fine Paper Mill exceeds or falls short of ASch 30m.

Although the accounts for Wattens for the year ended December 31, 1979 are not yet available, BPP has been informed that approximately ASch 4m more may be payable under this provision. This would raise the total consideration to ASch 321.5m (£11.63m).

In the year to December, 1978, Bunzl and Black showed a loss of £258,000 when BPP made a pre-tax profit of £12.8m. At that time the book value of the net assets of the Austrian subsidiary were stated as £15.7m.

The historical cost to BPP of the investments being sold is £12.8m, comprising the original purchase price of £2.5m and subsequent investments.

Bunzl and Black returned to profit in the first six months of 1979, but BPP decided that the costs of rationalisation and capital expenditure required to maintain performance would be too high.

The sale is conditional upon the approval of BPP shareholders at an extraordinary general meeting, the consent of the Supervisory Board of Laakirchen, the consent of the Austrian National Bank and written notification from the Laakirchen companies that the Austrian Government will grant them an interest subsidy in respect of the borrowings used to finance the transaction.

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Edwards merger combines Mr. Gulliver's interests

THE FOOD interests of Mr. James Gulliver are to be combined by Louis C. Edwards (Manchester) making an offer for the ordinary capital of Morgan Edwards on terms which place a value of £4.6m on the company.

Shareholders with over 51 per cent of the capital have already undertaken to accept the offer. These acceptances are represented by Gulliver Foods with 29.9 per cent and certain directors of Morgan and their families who hold 21.2 per cent.

LCE has been advised by Samuel Montagu and Morgan by County Bank.

The terms are 160 LCE ordinary shares and 32 LCE S per cent convertible preference shares, for every 100 Morgan ordinary shares. Taking LCE at yesterday's price of 66p (down 2p) and 100p for the preference shares, the offer values each Morgan share at 137.6p compared with a closing price of 138p (up 15p). As an alternative to the remaining Morgan holders there is a cash offer of 120p per share.

The consideration is £1.3m comprising £1.2m cash and £100,000 by the issue of 83,283 Marshall's ordinary shares. A further amount of up to £500,000 may be paid in cash depending on the level of profits earned in the year to April 30, 1981.

Main activities of the Graphic and Display group are the distribution of self-adhesive paper and associated products and paper

merchants. One of the companies distributes machinery and allied products to the printing side of the advertising and display trades.

Net assets as at April 30, 1979, amounted to £809,471 and profit for that year after all charges except tax and excluding extraordinary items was £234,978. Management accounts show profits for the six months to October 31 of £202,088.

Mr. J. Fletcher and Mr. F. Lane, joint managing directors of Graphic and Display will be joining the Marshall's Universal board.

Marshall's Universal buys Graphic & Display group

AGREEMENT HAS been reached for Marshall's Universal to buy the Graphic and Display Products group together with four subsidiaries.

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Amcoalt profits rise 24%

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA'S Anglo American Coal Corporation has fulfilled its promise of a fresh rise in earnings for 1979 following the 11.4 per cent increase achieved in the previous year.

The latest net profit has advanced by 24.5 per cent to R65.5m (£35.4m) from R52.7m.

The 1979 earnings equal 279 cents (151p) per share and they are accompanied by an increased final dividend of 60 cents. This brings the 1979 total to 90 cents against 72 cents.

Mr. Strudwick, who is still a director of Royco, is making his 50p per share cash offer through Boverbank, a company controlled by him.

The independent directors say that the profit for Royco for the year ending December 31, 1979, is estimated to be approximately £5.2m compared with some £2.8m in the previous year.

The marked improvement in profit for 1979 reflects the significant increases in property values that occurred during 1978 and 1979 combined with an increase in the number of commercial properties sold during the year.

The independent directors say that trading results should continue to be satisfactory in the current year.

Net assets after tax, but before allowing for the final dividend, are currently estimated to amount to 49p per share. Shareholders are reminded that provisions amounting to £7.3m (equivalent to 36p per share) have been made in estimating net assets per share to allow for all taxation that could arise on present trading profits and the surplus arising from the revaluation.

Of the amount £5.6m (28p per share) is deferred tax or taxation which will not be payable before the latter part of 1981 at the earliest. There are no borrowings and cash balances at present amount to £3.7m.

On the basis of the estimated profit for 1979 the independent directors would expect to recommend a final dividend of 2.0p per share, which together with the interim dividend paid in December 1979, would provide a total for the year of 3.5p per share.

As Bonnerpark already owns more than half of Royco's shares, consideration has been given to the position of members as minority shareholders.

Bonnerpark has stated that it will endeavour to maintain the listing of the shares and that it intends to continue and develop the business of Royco, subject only to a future dividend policy which may be influenced by the necessity to receive dividends in order to repay borrowings.

In these circumstances the independent directors do not believe that the effective increase from approximately 37 per cent to just over 50 per cent in Mr. Strudwick's holding will adversely affect the position of shareholders.

But the independent directors regard the offer as inadequate being only equivalent to the fully taxed net asset value. The bid does not include any premium reflecting either the strength of the balance sheet or the potential for future profitability.

The only independent director, Mr. R. M. Clarke, who holds shares—500 in all—will not be accepting the offer.

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yet. It is, for example, still developing two new collieries at a cost of some £210m to meet a contract to supply 360m tonnes of coal to the new South African power stations while preparing to increase this deal. The group's planned production for 1979 was over 30m tonnes and an eventual annual output of over 100m tonnes is considered a real possibility. The present key to rising earnings, however, is the prospect of increased export sales as a result of the expected further expansion in capacity of the Richards Bay export route. At £11 the shares yield a modest 4.4 per cent on the latest dividend total.

Exports of diamonds from Israel in January recovered sharply in favour of value of \$154.5m (£67.8m) while sales in the first 20 days of this month reached \$115m. The total value of exports in 1979 fell to \$1.2bn from \$1.3bn in 1978 and showed a sharper fall in terms of carats.

The Chamber of Mines—admittedly using conservative market price estimates and taking into account only existing mines and those known to be opening up—has calculated that gold production will remain roughly at present levels until 1987. It is then expected to fall off to 350 tonnes a year, half present annual output rates.

Comparison of operating figures for the 15 months and previous years is difficult. Though Uthco has changed its year end to coincide with that of the British parent, the company's Rhodesian subsidiaries continue with a September year-end.

Mr. Enrique Rankin, chairman, is cautious on prospects for the current year. While uncertainty surrounds Rhodesia's future, the chairman hesitates to make firm projections of this year's likely group performance. He further cautions that while inflation continues to run at current levels the group will need large earnings retentions to fund necessary tobacco leaf stocks.

The first three months trade in the current year at Greenall Whitley and Co. produced modest increases in beer sales, but so far sales in the current quarter had been disappointing. Mr. C. J. B. Hatton, the chairman, said at the annual meeting. Growth on the wines and spirits side had continued, but the chairman added that the group was concerned about possible duty rate increases in the forthcoming Budget.

Pre-tax earnings for the 15 months to December 31, 1979, were R204m. In the previous year to September 30, 1979, the pre-tax figure was R57.7m from turnover of R71.5m.

Stated earnings per share are 68 cents (39 cents for 1977-78).

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NORTH AMERICAN NEWS

Income increase at CNA Financial

By Our New York Staff

CHICAGO-BASED CNA Financial, one of the largest insurance groups in the U.S., reported a sharp setback in underwriting in 1979, although there was an overall improvement in results for the year.

Operational net rose to \$179.30m or \$4.70 a share from \$142.20m or \$3.64 in 1978, on revenue which increased from \$2.35bn to \$2.07bn. CNA's fourth quarter net increased from \$41.67m or \$1.09 a share to \$55.36m or \$1.43 on revenue which rose from \$521m to \$725m.

Despite the property-casualty insurance underwriting loss narrowing from \$8.3m to \$5.9m in the fourth quarter of 1979 the underwriting loss for the year widened to \$55.5m from \$13.8m in 1978.

Higher investment income boosted property-casualty pre-tax operating net to \$44.4m in the fourth quarter from \$35.7m a year earlier, but over the year the pre-tax operating net slipped from \$136.1m to \$131.0m.

Life insurance pre-tax operating net fell to \$8.5m in the fourth quarter from \$17.2m in the final quarter of 1978 and consumer finance pre-tax net dropped to \$2.5m from \$3.9m.

Steel agreement

Nippon Kokan KK (NKK) has reached a basic agreement to supply Bethlehem Steel with continuous annealing technology, reports Reuters from Tokyo. Nippon Kokan declined to comment but said that it and Bethlehem Steel are negotiating technology sales separately with U.S. steelmakers, including Bethlehem Steel, Republic Steel and Inland Steel.

Strike hits first quarter at International Harvester

BY STEWART FLEMING IN NEW YORK

INTERNATIONAL HARVESTER, the Chicago-based farm equipment and truck manufacturing company, has suffered a \$22.2m loss in its first fiscal quarter ended January 31, as a result of a three-month-old strike which has closed virtually all its U.S. plants.

Some 35,000 members of the United Auto Workers have been out since November, in a dispute over overtime provisions in the union contract. International Harvester has been seeking to bring the terms of the contract into line with those covering its competitors by removing voluntary over-

time provisions in order to give the company more control on overtime working. But the union is resisting the change.

The union was expected to press its case in public yesterday at International Harvester's annual meeting in Chicago. The company, which had first resisted the union's moves to provide extra accommodation for shareholders at the meeting, subsequently agreed to plan for an overflow crowd.

The \$22.2m loss in the first quarter was close to the company's mid-January estimate of \$22.5m which compared with a profit of \$58.8m in the same

period a year ago. First quarter sales fell to \$1bn from \$1.61bn a year ago.

The company was able to maintain deliveries and to some extent offset the impact of the strike by careful balancing of inventories with its co-operation of dealers.

Mr. Archie R. McCardell, the chairman, said that the outlook for the remainder of the year depends primarily on the settlement of the strike. The union and the company may meet today for the first time since before Christmas.

Full-year earnings advance for ABC

By Our Financial Staff

AMERICAN Broadcasting (ABC), operator of one of the three national television networks, pushed operating earnings ahead by 25 per cent in 1979 to \$159.3m, or from \$126.9m a share to \$2.05m. In 1978, earnings from discontinued operations lifted the total net to \$133.6m or \$4.89 a share.

Mr. Leonard H. Goldenson, the chairman, described the results as "excellent" and attributed them primarily to the "outstanding performance of our television operations and a substantial reduction in operating losses resulting from the disposition of the recorded music operations."

In the final quarter, ABC turned in operating profits of \$44.9m or \$1.53 a share, a gain of 11 per cent. Disposal of the group's theatre division lifted the 1978 total to \$45.5m. At \$51.5m, sales put on 20 per cent.

Net income benefited in 1979 from increased interest income and a lower effective tax rate, said Mr. Goldenson. "As we look ahead to 1980 the market place for broadcast advertising remains robust, despite the uncertain economic climate," he said. "However, the heightened network competition and the extraordinary costs of news coverage of the crisis in the Persian Gulf and the election year could moderate profit growth in 1980."

"In addition, our three new ventures, ABC Video Enterprises, ABC Motion Pictures and Travel Network Corporation are not expected to become profit contributors this year."

Setback at Coca-Cola Bottling

HACKENSACK — Coca-Cola Bottling of New York, the largest franchised bottler of Coca-Cola, attributed a decline in profits from continuing operations primarily to a substantial operating loss at its wholly owned Jeannette Corporation subsidiary, which manufactures glass, ceramic and other housewares.

Earlier, Coca-Cola Bottling reported that income from continuing operations fell to \$11.6m in 1979 from \$15.7m a year ago. Net earnings for the year were \$9.5m against \$14.2m in 1978.

Lower results in the wine division and an increase in interest expenses also contributed to the decline, although record earnings from the soft drink and leisure products division helped offset these factors.

The company said that year-end inventories of Jeannette and of the wine division were conservatively valued, because

of lower levels of operation. Despite the disappointing 1979 earnings, declaration of the regular quarterly dividend of 11 cents a share was an indication of confidence in the underlying strength of the company.

However, the board and management have undertaken an extensive review of dividend policy, to determine what payout rate makes the most sense over the long term, particularly in view of the record high cost of money.

Various options will be examined, including a possible reduction in the payout rate to 30 to 35 per cent of previous years' earnings from continuing operations.

In 1980, it is expected shareholders also will receive a special dividend of shares in its riverboat companies as a result of a contemplated spin off of those units.

The company's existing insurance company lenders have

agreed to purchase \$43.5m 20-year 9.68 per cent senior promissory notes.

Proceeds will be used to repay \$23.5m of prime rate related bank borrowings, with the balance applied to borrowings from insurance companies. This financing, when completed in April, 1980, will favourably affect 1980 financing costs. At December 31 last year the company had outstanding about \$98m in long-term debt.

The company also said that the directors had approved a management proposal for a commitment of about \$20m in capital funds to the soft-drink division in 1980.

The Board expects year-to-year earnings comparison from continuing operations to be unfavourable in the first half of 1980, but to improve in the second half.

It expects full-year 1980 earnings to recover from 1979 levels, but said it was unlikely they will return to 1978 levels. Reuters

Currency losses and sales drop hurt Firestone Tire

BY OUR FINANCIAL STAFF

FIRESTONE TIRE and Rubber, the second largest tyre producer in the U.S., said, in reporting a loss of \$13.8m or 24 cents a share for its first fiscal quarter, that it had incurred foreign currency losses of \$16.6m in the period.

It also reported lower sales, which it blamed on a sharp drop in sales in the U.S.

In the same quarter last year Firestone made a profit of \$44.6m or 60 cents a share. In 1979, Firestone turned a substantial loss into a profit of \$1.35 a share and was expected

to turn in a similar profit for 1980. Firestone said that most of the exchange loss resulted from inventory effects of a substantial currency devaluation in Brazil.

"All the company's industry segments posted declines in operating profit from a year ago, with the biggest drop taking place in tyres and related products," said Firestone.

Some non-tyre operations were also hurt by the slump in car production.

Firestone said reduced driving, overcapacity in the tyre industry and stiff competition had also cut domestic profits. In addition, lower factory operating rates had increased unit costs.

Higher raw material and operating costs could not be passed along in price increases because of the competition.

Firestone expects continuing difficulties in the tyre industry until domestic car sales recover and energy and other problems affecting the economy begin to be resolved.

EUROBONDS

Trading mixed in dollar sector

BY FRANCIS GHILES

THE EUROBOND markets set back to a much quieter day yesterday following the hectic trading conditions witnessed on Wednesday. The level of activity was described by most dealers as low with straight dollar bond prices finishing mixed on the day.

Some bond houses said they had seen some selling, others that some retail buyers had appeared during the morning when bond prices weakened. The fore picking up later in the day.

Floating Rate Note issues were firmer yesterday as many dealers said they felt that the price falls posted on Wednesday had been overdone. The \$75m ten-year FRN for Standard and Chartered Finance BV which includes a minimum coupon of 5 1/2 per cent and is managed by Schroder Wagg was quoted at 98 3/4 in the first day of its trading in the secondary market. Such a discount is not greater than the selling group discount of 1 1/2 per cent offered to most investors.

The \$12m 15-year convertible

for Community Psychiatric Centers which carries a coupon of 8 1/2 per cent has Merrill Lynch International as its sole lead manager.

Worst hit yesterday were foreign Deutsche Mark bonds. Older issues fell by as much as two points. For instance the Finance 6 per cent bond to 83 closed at 90 yesterday, two points down on its price at the close on Wednesday. A number of more recent issues were also badly hit: the 6 1/2 per cent Barclays bond to 89 fell 1 1/2 points to close at 87.

Even issues which have just been completed such as the 8 1/2 per cent Australian bond to 1990 shed a point yesterday to close at 98 1/2.

The domestic Deutsche Mark bond market was weak yesterday but the Bundesbank had to buy fewer bonds—no more than DM6.8m worth—than on Wednesday to support the market.

German dealers expected prices of foreign Deutsche Mark bonds, which fell on average by a full point yesterday, to continue weakening today as money market rates are expected to continue rising. Yields offered on foreign Deutsche Mark bonds average 8 1/2 per cent at present, while six-month deposit rates yield between 8.50 and 9.10 per cent.

Swiss franc bonds weakened yesterday for the third day running, with average prices falling on foreign bonds of around 1 per cent.

Spanish national railways (RENFE) has signed a contract to float yen-denominated bonds worth ¥16bn in Tokyo.

Nikkon Securities said the 10-year bonds will carry a coupon rate of 8.3 per cent and will be offered at an issue price of 99.25 per cent.

The bonds will be redeemable in annual instalments of ¥1.6bn on March 1 in each of the years between 1986 and 1990. The final instalment of ¥9.6bn will be made on March 1, 1991.

That is the second time that RENFE has floated bonds in Japan. In April, 1978, it made a ¥16bn bond issue.

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FIDELITY INTERNATIONAL FUND N.V.

REGISTERED OFFICE: SCHOTTEGATWEG OOST, SALINJA, CURAÇAO, NETHERLANDS ANTILLES

Notice of Annual General Meeting of Shareholders

Please take notice that the Annual General Meeting of Shareholders of Fidelity International Fund N.V. (the "Corporation") will take place at 2:00 P.M. at Schottegatweg Oost, Salinja, Curaçao, Netherlands Antilles, on March 20, 1980.

The following matters are on the agenda for this Meeting:

1. Report of the Management.
2. Election of seven Managing Directors. The Chairman of the Management proposes the re-election of the following seven existing Managing Directors:
Edward C. Johnson 3d
William L. Byrnes
Lord James Crichton-Stuart
Charles A. Fraser
Hissai Kurokawa
John M. S. Patton
James E. Totner
3. Approval of the Balance Sheet and Profit and Loss Statement for fiscal year ended November 30, 1979
4. Ratification of actions taken by the Managing Directors since the last Annual General Meeting of Shareholders, including payment on February 22, 1980 of the interim dividend of \$0.20 per share declared by the Managing Directors to shareholders of record on February 8, 1980.
5. Ratification of actions taken by the Investment Manager since the last Annual General Meeting of Shareholders.
6. Proposal, recommended by the Management, to amend Article 4 of the Corporation's Articles of Incorporation to decrease the Corporation's authorized capital, said Article as amended to read in its entirety as follows:
"The authorized capital of the Corporation is Two Million Dollars (U.S. \$2,000,000) stated in currency

of the United States of America, divided into two million (2,000,000) shares with a par value of One Dollar (U.S. \$1.00) per share, numbered 1 through 2,000,000, inclusively, of which in excess of six hundred thousand (600,000) shares have been heretofore subscribed for and have been fully paid for in cash."

7. Such other business as may properly come before the Meeting.

Holders of registered shares may vote by proxy by mailing a form of proxy obtained from the Corporation's Principal Office in Pembroke, Bermuda, or from the Banks listed below, to the Corporation at the following address:
Fidelity International Fund N.V.
P.O. Box 305
Curaçao
Netherlands Antilles

Holders of bearer shares may vote by proxy by mailing a form of proxy and certificate of deposit for their shares obtained and filed in the manner described in the preceding sentence. Alternatively, holders of bearer shares wishing to exercise their rights personally at the Meeting may deposit their shares, or a certificate of deposit thereof, with the Corporation at Schottegatweg Oost, Salinja, Curaçao, Netherlands Antilles, against receipt thereof, which receipt will entitle said bearer shareholder to exercise such rights.

All proxies and certificates of deposit issued to bearer shareholders must be received by the Corporation not later than 9:00 A.M. on March 20, 1980, in order to be used at the Meeting.

By order of the Management
Charles T. M. Collis
Secretary

Bank Julius Baer
International Limited
3 Lombard Street
London EC3V 9ER, England

Bank Julius Baer & Co.
Rahelstrasse 36
Zürich, Switzerland

The Bank of Bermuda Limited
Hamilton, Bermuda

Kreditbank S.A. Luxembourggoose
43, Boulevard Royal
Luxembourg

This announcement appears as a matter of record only.

THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED

U.S. \$20,000,000

Negotiable Floating Rate Certificates of Deposit

U.S. \$10,000,000 due February 1983

U.S. \$10,000,000 due February 1985

Nippon European Bank S.A.

Bank Brussel Lambert N.V.

Crédit Lyonnais

Kreditbank International Group

Agent

Nippon European Bank S.A.

February 1980

AMERICAN QUARTERLIES

AMERICAN NATURAL RES.

| | 1979 | 1978 |
|----------------|---------|---------|
| Fourth quarter | \$78.5m | \$80.2m |
| Revenue | 60.5m | 21.3m |
| Net profit | 2.0m | 0.9m |
| Net per share | 1.13 | 2.08 |
| Year | 2.91m | 2.15m |
| Revenue | 177.5m | 127.0m |
| Net profit | 5.1m | 5.0m |
| Net per share | 1.13 | 2.08 |

Profits for Air France in oil price turbulence

BY TERRY DODSWORTH IN PARIS

THE IMPROVED health of Air France, the nationalised French airline which ran up losses of a little over FF1.1bn (\$250m) in the three years up to 1976, was underlined last year by a steady improvement in its sales and productivity.

The company's overall performance, in terms of profits and additional traffic, was not as spectacular as in 1978, when it bounced back from the post-1973 oil crisis to mark up its first adequate results for six years.

By contrast, 1979 proved to be a year of consolidation, in which the company weathered the new surge in oil prices sufficiently well to produce a net profit in 1979 of 6.4 per cent from FF1.235bn to FF1.250bn in its subsonic operations.

Announcing these results, M. Pierre Giraudet, chairman, emphasised that Air France had now achieved a new stability. It was in much better shape to ride any slump in world activity than it had been in 1974, he said, and had developed a fleet of Boeing 747s and European Airbus which gave it operating costs as economic as any airline in the world.

This factor would be particularly important given the rise in fuel costs, which are expected to go up from 20 per cent to 25 per cent of the group's operating expenses this year.

The most dramatic feature of the results was an increase of

almost 20 per cent in revenues to FF1.13bn. But this reflected tariff increases caused by fuel price rises as much as the number of extra passengers carried, which rose by only 6.8 per cent to 10.8m.

However, by two key measures, the company showed further improvements, pushing up its seat occupancy rate from 63.9 per cent to 64.4 per cent, and achieving a productivity increase of about 7 per cent on the basis of passengers carried per kilometre. These figures would have been even better except for the French air traffic controllers' dispute, which hit Air France's business at the end of last year.

Although Air France reckons that 1980 will be a difficult year, it is sticking to an ambitious expansion programme. In the period to the end of 1983 it is aiming to expand its business by 30 per cent while creating some 3,500 new jobs. Last year its work force went up by 900, following a period in which it had been kept virtually steady at a little under 32,000.

With cash flow rising by 35 per cent last year to FF1.1bn for its subsonic operations, Air France is aiming to finance a substantial part of its five-year FF1.12bn investment plan from its own resources. But it will also have to rely on further borrowings and additions to its state-funded capital.

On its non-Concorde opera-

tions, however, direct state subsidies to the company are now declining. These amounted to FF1.210m in 1978, but dropped to FF1.165m last year, and are expected to amount to only FF1.76m this year.

In 1979, the subsidies were shared between the cost of operating the Caravelle fleet which was forced upon the company by the Government (FF1.85m), and the expense of operating out of the two Paris airports at Orly and Roissy, another Government prescribed constraint (FF1.80m). Air France did not exercise its rights to demand subsidies on some of the unprofitable routes which it has been asked to operate, although this forms part of its contract with the state.

Concorde operations also attracted a heavy FF1.67m subsidy from the Government last year, with Air France bearing another FF1.29m of the super-sonic aircraft's operating losses. In addition, the company had to underwrite FF1.1m of previously incurred charges on Concorde.

These Concorde charges (which exclude FF1.205m paid by the government for depreciation on the aircraft), mean that the net profit of the group was reduced to FF1.210m. This compares with a figure of FF1.197.5m last year.

VFW link with MBB faces difficulties

By Roger Goyes in Bonn

THE PLANNED merger between the West German aerospace companies Vereinigte Flugtechnische Werke (VFW) and Messerschmitt-Boelkow-Blohm (MBB) is being seriously complicated by VFW shareholders' scramble to secure a stake in the new joint concern.

VFW announced last week that it is to split from its Dutch partner Fokker at the end of the month as the first step toward a merger with the large Bavarian-based air concern MBB. This move, encouraged by the Bonn Government, is intended to create a new independent aerospace industry in West Germany as a potential rival — or partner — of British Aerospace and Aerospatiale of France.

VFW's shareholders have already begun to flex their muscles, clearly anxious that their current shares should be significantly reflected in the composition of the new merged company. The Krupp group, for example — VFW's major private shareholder with 35.2 per cent — has been holding out for its own seat on the supervisory board of the new company, as well as 10 per cent of the shares.

Meanwhile, the city state of Bremen, through Hanseatische Industrieteilungen, has been considering whether it can feasibly mop up the remaining shares and thus ensure a voice in the planned VFW-MBB concern and guarantee employment to the Bremen workforce. With a 26.4 per cent holding, it seemed in a good position to make such a move. The other shareholders are United Technologies Corporation of the U.S., also with 26.4 per cent, and two members of the Heinkel family, with 9 and 3 per cent respectively.

But United Technologies has flavoured these plans by announcing that it has no wish to sell out, and indeed is actively considering expanding its stake. It has first option to buy Krupp's shares — although a Krupp sale appears unlikely — and its ultimate aim would seem to be a foothold in MBB's lucrative European military projects.

Volvo outlines plans with Renault for second half of the eighties

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO CAR CORPORATION achieved record turnover, unit sales and production in 1979. Turnover increased by 23 per cent on the 1978 level to SKr 12.5bn. (\$2,930m). Volvo built 320,000 cars, up 23 per cent, and sold 302,000 a nine per cent rise.

The corporation entered 1979 with low stocks, and the excess of production over sales last year was to correct this. However, faced with the prospect of a downturn in worldwide demand for its big cars, the 240/260 series, Volvo last week cut back production levels.

The current rate of output for the 240/260 series is 210,000 a year compared with 230,000 in 1978. Demand for the smaller cars, the 340 series, built in the former Daf plant in Holland, continues to improve, and output this year should rise to 95,000 against 90,000 in 1978.

Mr. Hakan Frisinger, president of the Corporation, said yesterday that sales in Volvo's major markets had held up well in January, and the cut-back in production might prove too severe.

But the company had little flexibility in Sweden, where lay-offs were difficult to implement, and it needed to



Hakan Frisinger, president, Volvo Car

reduce output in good time to prevent stocks rising excessively.

Volvo is expecting its car sales in Sweden this year to match the 54,500 for 1978. And there should be worthwhile sales increases in the two major export markets, the U.S. and the UK.

In the U.S., where Volvos are seen as high-priced imports, the corporation for the past few years has been resisting any

temptation to grow fast and has restricted sales increases to 8 to 10 per cent a year. This enabled the company to provide adequate back-up service and improve the dealer network in the U.S., which now numbers 408. This year, sales in the U.S. should reach a record 61,000, compared with 53,800 in 1978.

In the UK, Volvo Car's third-biggest market and where it is represented by the Lex Group as importer, sales in 1980 are expected to reach 40,000 against 36,600 last year.

Mr. Frisinger pointed out that Volvo was one of the few vehicle manufacturers to show profits throughout the 1970s. Volvo Car emerged as a separate operating company in January this year to pave the way for the co-operative venture with Renault of France. Eventually this should see Renault take a 20 per cent stake in Volvo Car.

The results of the co-operation will not show up until the second part of the 1980s. Mr. Frisinger said the two companies had compared future product development plans and were in the process of deciding how responsibilities should be allocated between them.

"Later, we want to combine volume production," he added. When the annual output of

Volvo's 240/260 series, around 250,000, was added to Renault's in the same market sector, the combination was "the biggest of its class in Europe." And combining the 340 series Volvo, with a potential annual output of 100,000, to Renault's production of 350,000 similar cars, would create "worthwhile volume."

But he stressed that, although they might share components, the Renault and Volvo models would retain individual characteristics and look different. From the mid-1980s, Volvo Car and Renault would share as many components as possible in their cars. "We will also share production, using existing production facilities where this makes sense," said Mr. Frisinger.

Dealing with the Volvo Car operations in Holland, where the 340 series plant has an annual capacity of 120,000 and has been making substantial losses, Mr. Frisinger insisted the company was "ahead of the plan we made a couple of years ago."

Pulling Volvo Holland round "was one of the toughest jobs in the automotive world. But we still have a fair chance of doing it," he said.

Swiss group buys German newspaper

By John Wicks in Zurich

THE HAMBURG daily newspaper "Hamburger Morgenpost," which was to have ceased publication on February 28, is to continue in existence under Swiss control. The Basle publishing house Greif AG has acquired a 60 per cent stake in the newspaper. The remaining 40 per cent is to be held by the Federal German Social Democratic Party.

The paper, the biggest Social Democratic daily in the country, has seen its circulation fall from some 500,000 to 230,000 and has been in difficulties for some years.

GHH of Germany places hope in energy crisis

BY OUR BONN STAFF

EUROPE'S largest mechanical engineering group, Gutehoffnungshütte, is looking forward to a strong result this year, despite sharpening competition on overseas markets and the latest round of oil price rises.

Dr. Manfred Lennings, chief executive of the West German concern, suggested at the annual meeting yesterday that the energy crisis could work in favour of machine construction companies such as GHH. The need for more efficient energy-using machinery had boosted investment levels among German companies and had increased demand for a

broad range of engineering products.

Certainly GHH's order books do not seem to have suffered unduly from cut-backs by cost-conscious customers. In the first six months of the business year ending on June 30, new orders increased by 23.2 per cent to DM 7.2bn (\$1.6bn) and the foreign share of this has stayed at a stable 44.3 per cent. Orders in hand in January were worth DM 16.1bn — a rise of 4.2 per cent over the first six months of 1978-79 — while turnover has increased by 14.9 per cent to DM 6.6bn.

Schering completes its fourth U.S. purchase

BY LESLIE COLT IN BERLIN

SCHERING, the West Berlin-based pharmaceutical group, has completed the take-over of the American Chemcut Corporation of Pennsylvania.

The U.S. company, Schering's fourth American acquisition, cost \$11.8m and had a turnover last year of some \$15m. Chemcut manufactures machinery to produce printed cir-

cuits, and is to be integrated into Schering's electro-plating division. The Berlin company, which had group turnover of DM 2.7bn (\$1.5bn) last year, hopes to increase sales of printed circuits in the U.S. Schering says that American companies have a world share in this product of about 50 per cent.

Significant gains for Storebrand

BY FAY GJETER IN OSLO

STOREBRAND, Norway's largest insurance group, reports premium income for 1979 of Nkr 2.33bn (\$477.8m) 9 per cent up on a year earlier. A preliminary statement describes

overall results last year as satisfactory, permitting a further strengthening of reserves and providing a significantly larger profit than in 1978.

U.S. \$25,000,000

Floating Rate Notes Due 1984

Banco Latinoamericano de Exportaciones S.A.



In accordance with the provisions of the Notes, notice is hereby given that for the interest period from February 22, 1980 to August 22, 1980 the Notes will carry an interest rate of 16 1/2% per annum. The interest payable on the relevant interest payment date, August 22, 1980, against Coupon No. 2 will be US\$82.78.

Merrill Lynch International Bank Limited
Agent Bank

The National Bank of Kuwait S.A.K.

Balance Sheet at 31st December 1979

| 1978 Kuwaiti Dinars | ASSETS | Kuwaiti Dinars | 1978 Kuwaiti Dinars | LIABILITIES | Kuwaiti Dinars | 1978 Kuwaiti Dinars | Profit and Loss Account for the year ended 31st December 1979 | Kuwaiti Dinars |
|------------------------|---|------------------|------------------------|--|------------------|------------------------|---|----------------|
| 82,172,680 | Cash and Balances with Banks | 107,400,144 | 728,177,221 | Demand, Time Deposits & Other Accounts including Contingencies | 907,757,228 | 7,500,806 | Profit after charging all expenses, making provisions for contingencies and writing down assets | 9,500,880 |
| 125,294,290 | Money at Call and Short Notice with Banks | 147,201,048 | 3,893,175 | Proposed Dividend | 4,282,492 | 390,760 | Balance brought forward from previous year | 498,391 |
| 16,615,000 | Bankers Negotiable Certificates of Deposit | 13,192,591 | | | | | | |
| 70,098,056 | Quoted Investments | 58,428,652 | 732,070,386 | Total Liabilities | 912,039,720 | 7,891,566 | | 9,999,271 |
| 138,428,415 | Deposits with Banks | 167,151,824 | | | | | | |
| 323,905,334 | Loans and Discounts | 449,427,587 | | | | | | |
| | Unquoted Investments (of which IBRD Bonds KD 13,767,485 - 1978 KD 16,720,760) | 19,572,136 | 17,698,250 | SHAREHOLDERS' EQUITY | | 750,000 | Transferred to Statutory Reserve | 950,000 |
| 22,564,781 | | | 23,692,800 | Capital: Authorised and Issued 19,465,875 shares of KD 1.000 each fully paid | 19,465,875 | 2,750,000 | Transferred to General Reserve | 4,000,000 |
| | | | 20,864,700 | Reserves: Statutory (including Share Premium Account KD 19,057,500 1978 - KD 19,057,500) | 24,642,800 | 3,893,175 | Proposed dividend of 22 % (KD 0.220 per share) payable 2nd February 1980 | 4,282,492 |
| 1 | Land, Premises and Equipment | 1 | 498,391 | General | 24,864,700 | 7,393,175 | | 9,232,492 |
| 15,744,000 | Other Assets | 18,404,891 | 62,752,141 | Undistributed Profits | 766,779 | KD 498,391 | Balance carried forward | KD 766,779 |
| 794,822,537 | TOTAL ASSETS | 981,779,874 | 794,822,537 | TOTAL LIABILITIES and SHAREHOLDERS' EQUITY | 981,779,874 | | | |
| 241,332,847 | Liability of Customers for Letters of Credit, Acceptances and Guarantees | 329,927,066 | 241,332,847 | Letters of Credit, Acceptances and Guarantees on behalf of Customers | 329,927,066 | | | |
| KD 1,036,755,384 | | KD 1,311,706,940 | KD 1,036,755,384 | | KD 1,311,706,940 | | | |

KD 1 - US \$ 3.662 - £ 1.639 - DM 6.317 - SF 5.835

YACOB YOUSUF AL HAMAD
Chairman

MOHAMED ABDUL MOHSIN AL KHARAFI
Deputy Chairman

GEOFFREY PINK
Acting Chief General Manager



The National Bank of Kuwait S.A.K.

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Companies
and Markets

INTNL. COMPANIES and FINANCE

Full year profits rise at Canon

By Yoko Shibata in Tokyo

CANON, the Japanese manufacturer of cameras and business machines, increased its operating profits by 59.6 per cent to ¥18.88bn (¥75.8m) in the year to December 31. Net profits rose 51.8 per cent to ¥11.331bn, and sales 36.9 per cent to ¥187.47bn (¥755m).

The company has lifted the year-end dividend to ¥5.00 from ¥3.75, to make a total for the year of ¥8.75, against ¥7.50, on per share profits of ¥51.76, compared with ¥35.03.

The marketing of a new camera model, the AV-1, to go with the established A-1, helped to raise sales in the camera division by 34 per cent, to account for 52 per cent of total turnover.

Canon strengthened its position in the Plain Paper Copier (PPC) market by introducing a new high speed model, NP200J. Copier sales rose 42 per cent, to account for 28 per cent of the total sales of semiconductor producing equipment (mask-aligners), of which the company holds 35 per cent of the world market, jumped 52 per cent, to reach 11 per cent of the total.

The company's desk-top calculator sales also fared well, rising 28 per cent, to 12 per cent of overseas sales, helped by brisk overseas sales.

Export sales in total were up 45 per cent, and accounted for 72 per cent of all sales.

In spite of the 30 per cent depreciation in the yen in the foreign exchanges and the large share of exports in sales, the company made exchange losses of ¥5.80bn. Having experienced total sales of ¥187.47bn in 1978, as the yen appreciated sharply, the company decided at the start of the year to hedge its export receipts several months forward, against the possibility of a further appreciation. As the reverse happened, Canon's export profitability did not recover until the second half of the year.

For the current fiscal year the company plans to expand the market share of its middle-quality cameras, along with the fast-growing single-lens reflex A-1, and AV1. Further growth in sales of PPCs, centring on the NP200J are expected. As a result, operating profits, it is thought, will reach ¥23bn, up 23.8 per cent, and net profits ¥12.5bn, up 10.3 per cent, on sales rising 22.7 per cent to ¥230bn.

Vereeniging Refractories well ahead

By Jim Jones in Johannesburg

VEREENIGING Refractories (Verref), South Africa's largest manufacturer of refractory bricks, increased its pre-tax profit by 47.5 per cent to R13.54m (R18.7m) in the year to December 31, from R9.18m in 1978. But good though this result was, the group's switch to LIFO (last in, first out) accounting meant that pre-tax profits were R15.6m lower. Thus, on a comparable basis, pre-tax profit would have advanced by 64.5 per cent to R15.1m.

Turnover rose 23.3 per cent to R77.3m (R95.2m). Verref's largest contributor to profits remains refractories, with higher capacity installed for import replacement and exports. Elsewhere, the group's roof tile division, Coverland, has yet to experience in full the benefits of improved housing demand.

The group remains highly liquid with no major expansion plans on the drawing board. But even so, dividend per share remains conservative. From earnings per share of 144 cents, against 98.9 cents, dividends totalling 48 cents, compared with 36 cents, have been declared.

First-half increase by Calan

By Our Johannesburg Correspondent

Sterling firm

The dollar was steady, while sterling continued to improve in the foreign exchange market yesterday. The U.S. currency finished unchanged at \$246 against the Japanese yen, and eased slightly to DM 1.7465 from DM 1.7479 in terms of the D-mark after trading within a narrow range of DM 1.7445 to DM 1.7470. Movement was similarly restricted against the Swiss franc to a range of SwFr 1.6580 to SwFr 1.6610, before easing to SwFr 1.6590, compared with SwFr 1.6640 on Wednesday. The dollar's index, as calculated by the Bank of England, fell to 85.6 from 85.7.

Sterling gained ground from an opening level of about \$2.28 to \$2.2950 at noon, and a peak of \$2.2905-2.2915 in the early afternoon. It was then steady at around \$2.2875 for the rest of the day, and closed at \$2.2865-2.2875, a rise of 75 points on the day.

The pound's trade-weighted index, on Bank of England figures, rose to 72.8 from 72.5, after standing at 72.6 in the morning and 72.7 at noon.

DMARK — Very strong, but remaining steady within the European Monetary System — The D-mark showed mixed changes against major currencies, but the dollar and Swiss franc, but falling in terms of sterling and the Japanese yen. Within the EMS the French franc, Dutch guilder, and Danish krone declined against the D-mark, but the Irish punt, Belgian franc, and lira gained ground. Sterling was fixed at DM 3.3670, compared with DM 3.3760, and the Swiss franc at DM 1.0644, compared with DM 1.0705. The Bundesbank did not intervene when the dollar was fixed at DM 1.7458, compared with DM 1.7460, within the U.S. currency trading within a narrow range, helped by firmer

New York interest rates. ITALIAN LIRA — Recent demand has reflected tight conditions in the domestic money market; strongest EMS currency with French franc — The lira declined against most major currencies at the Milan fixing, but improved slightly against the D-mark and Swiss franc. The German currency was fixed at L 463.45, compared with L 463.50, while the Swiss franc fell to L 492.5 from L 496.04. Sterling rose to L 1.5484 from L 1.5421, and the Bank of Italy bought \$14.2m of the \$15.65 traded officially as the dollar rose to L 809.05 from L 808.70.

DANISH KRONER — Basically weak, suffering two devaluations since last year, but steadier until recent days when downward pressure has been renewed. The yen improved against the dollar for the first time this week in Tokyo. The U.S. currency closed at Y 246, compared with Y 246.45 on Wednesday, but moderately heavy trading. Selling pressure continued on the yen, reflecting settlement of export bills, but the Bank of Japan intervened once again, selling about \$80m and this turned the tide in favour of the Japanese currency. The dollar opened at Y 246.10 and touched a high point of Y 246.40, but then fell to Y 246.80 shortly before the close.

JAPANESE YEN — Energy problems reflected in sharp decline last year, but steadier until recent days when downward pressure has been renewed. The yen improved against the dollar for the first time this week in Tokyo. The U.S. currency closed at Y 246, compared with Y 246.45 on Wednesday, but moderately heavy trading. Selling pressure continued on the yen, reflecting settlement of export bills, but the Bank of Japan intervened once again, selling about \$80m and this turned the tide in favour of the Japanese currency. The dollar opened at Y 246.10 and touched a high point of Y 246.40, but then fell to Y 246.80 shortly before the close.

EMS EUROPEAN CURRENCY UNIT RATES

| Currency | Unit | % change from 1979 | % change from 1978 | Divergence limit % |
|---------------|---------|--------------------|--------------------|--------------------|
| Belgian Franc | 33.7897 | +0.78 | +1.50 | +1.53 |
| Dutch Guilder | 3.7603 | +0.78 | +1.50 | +1.53 |
| French Franc | 6.5596 | +0.78 | +1.50 | +1.53 |
| German Mark | 3.3636 | +0.78 | +1.50 | +1.53 |
| Irish Punt | 7.8756 | +0.78 | +1.50 | +1.53 |
| Italian Lira | 1.366 | +0.78 | +1.50 | +1.53 |

EXCHANGE CROSS RATES

| Currency | Unit | % change from 1979 | % change from 1978 | Divergence limit % |
|---------------|---------|--------------------|--------------------|--------------------|
| Belgian Franc | 33.7897 | +0.78 | +1.50 | +1.53 |
| Dutch Guilder | 3.7603 | +0.78 | +1.50 | +1.53 |
| French Franc | 6.5596 | +0.78 | +1.50 | +1.53 |
| German Mark | 3.3636 | +0.78 | +1.50 | +1.53 |
| Irish Punt | 7.8756 | +0.78 | +1.50 | +1.53 |
| Italian Lira | 1.366 | +0.78 | +1.50 | +1.53 |

EURO-CURRENCY INTEREST RATES

| Term | Rate |
|------------|----------------------|
| Short-term | 15.00-15.50 per cent |
| Long-term | 15.50-16.00 per cent |

INTERNATIONAL MONEY MARKET

European rates firm

European short-term interest rates were generally firm yesterday, with call money in Paris returning to the five year peak of 12.25 per cent, touched last Wednesday. Day-to-day funds continued a five month low of 11.1 per cent on Monday, and were still only 11.1 per cent on Wednesday, but the upward move in the Bank of France money market intervention rate to 12.25 per cent from 12 per cent led to yesterday's sharp increase. Banking liquidity improved recently following large assistance by the central bank through purchases of first category paper, but Wednesday's new intervention rate was taken as a signal to the market of tighter conditions. International interest rates have shown an upward trend following the increase in the U.S.

UK MONEY MARKET

Heavy shortage

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979). The flow of tax payments and national insurance money left the London money market short of day-to-day funds yesterday, and the authorities gave assistance on a very large scale. The Bank of England bought a small amount of Treasury bills from the discount houses and banks, and bought a moderate number

MONEY RATES

| Currency | Rate |
|--------------|--------|
| U.S. Dollar | 1.7465 |
| Japanese Yen | 246.80 |
| Swiss Franc | 1.6590 |

EUROPEAN CURRENCY UNIT RATES

| Currency | Unit | % change from 1979 | % change from 1978 | Divergence limit % |
|---------------|---------|--------------------|--------------------|--------------------|
| Belgian Franc | 33.7897 | +0.78 | +1.50 | +1.53 |
| Dutch Guilder | 3.7603 | +0.78 | +1.50 | +1.53 |
| French Franc | 6.5596 | +0.78 | +1.50 | +1.53 |
| German Mark | 3.3636 | +0.78 | +1.50 | +1.53 |
| Irish Punt | 7.8756 | +0.78 | +1.50 | +1.53 |
| Italian Lira | 1.366 | +0.78 | +1.50 | +1.53 |

THE POUND SPOT AND FORWARD

| Day's spread | Close | One month | % Three months | % p.a. |
|--------------|---------------|---------------|----------------|--------|
| Feb. 21 | 2.2865-2.2875 | 2.2865-2.2875 | 0.30-0.32 pm | 1.88 |
| U.S. | 2.2865-2.2875 | 2.2865-2.2875 | 0.30-0.32 pm | 1.88 |
| Canada | 2.2865-2.2875 | 2.2865-2.2875 | 0.30-0.32 pm | 1.88 |

THE DOLLAR SPOT AND FORWARD

| Day's spread | Close | One month | % Three months | % p.a. |
|--------------|---------------|---------------|----------------|--------|
| Feb. 21 | 2.2865-2.2875 | 2.2865-2.2875 | 0.30-0.32 pm | 1.88 |
| U.S. | 2.2865-2.2875 | 2.2865-2.2875 | 0.30-0.32 pm | 1.88 |
| Canada | 2.2865-2.2875 | 2.2865-2.2875 | 0.30-0.32 pm | 1.88 |

CURRENCY RATES

| Currency | Rate |
|--------------|--------|
| U.S. Dollar | 1.7465 |
| Japanese Yen | 246.80 |
| Swiss Franc | 1.6590 |

OTHER MARKETS

| Currency | Rate |
|--------------|--------|
| U.S. Dollar | 1.7465 |
| Japanese Yen | 246.80 |
| Swiss Franc | 1.6590 |

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The Table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, February 20, 1980. The Exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified cases. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all the listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

| COUNTRY | CURRENCY | VALUE OF DOLLAR | COUNTRY | CURRENCY | VALUE OF DOLLAR | COUNTRY | CURRENCY | VALUE OF DOLLAR |
|---------------------|------------------|-----------------|----------------------|-------------------|-----------------|---------------------|-------------------|-----------------|
| Afghanistan | Afghan (i) | 44.00 | Greenland | Danish Krone | 6.435 | Papua N. Guinea | Kina | 0.6896 |
| Albania | Lek | 4.4889 | Grenada | E. Caribbean \$ | 2.7025 | Paraguay | Guarani | 137.30 |
| Algeria | Dinar | 3.3535 | Guadeloupe | Local Franc | 4.0907 | Peru | Sol | 256.55 |
| Andorra | Spanish Peseta | 66.95 | Guatemala | Quetzal | 1.00 | Philippines | Ph. Peso | 7.40 |
| Angola | Kwanza | 20.48 | Guinea | Guinea \$ | 35.500 | Poland | Zloty (i) | 47.116 |
| Antigua | E. Caribbean \$ | 2.7025 | Guinea Bissau | Peso | 16.005 | Portugal | Escudo | 200.48 |
| Argentina | Argentine Peso | 1675.50 | Guyana | Guyana \$ | 3.5668 | Puerto Rico | U.S. \$ | 1.00 |
| Australia | Australian \$ | 0.9133 | Haiti | Gourde | 5.00 | Qatar | Qatar Ryal | 5.70 |
| Austria | Schilling | 13.5056 | Honduras | Lempira | 2.00 | Reunion/De la | French Franc | 4.0907 |
| Azores | Portug. Escudo | 47.585 | Hong Kong | H.K. \$ | 7.80 | Rhodesia | Rh. \$ | 0.6935 |
| Bahamas | Bahamian \$ | 1.00 | Hungary | Forint (i) | 34.00 | Romania | Leu | 16.67 |
| Bahrain | Dinar | 0.3778 | Iceland | I. Krona | 363.40 | Rwanda | Rwanda Franc | 92.84 |
| Barbados | E. Caribbean \$ | 2.7025 | India | Ind. Rupee | 7.88 | St. Christopher | E. Caribbean \$ | 2.7025 |
| Belgium | Belgian Franc | 36.36 | Indonesia | Rupiah | 625.00 | St. Helena | Starling | 2.2865 |
| Belize | Belize \$ | 2.00 | Iran | Rial | 71.50 | St. Lucia | E. Caribbean \$ | 2.7025 |
| Benin | C.F.A. Franc | 204.535 | Israel | Israeli Pound | 3.48 | St. Vincent | E. Caribbean \$ | 2.7025 |
| Bermuda | Bermudian \$ | 0.64 | Italy | Lira | 2036.27 | Samoa | Samoa Tala | 0.9111 |
| Bhutan | Indian Rupee | 7.88 | Jamaica | Jamaican Dollar | 1.7835 | San Marino | Italian Lira | 806.15 |
| Bolivia | Bolivian Peso | 28.00 | Japan | Yen | 246.70 | Saudi Arabia | Saudi Rial | 5.26 |
| Bosnia | Croatian Dinar | 0.3778 | Jordan | Jordan Dinar | 0.295 | Senegal | C. F. A. Franc | 204.535 |
| Botswana | Botswana Pula | 0.82 | Kampuchea | Riel | 0.4 | Sierra Leone | Sierra Leone | 0.077 |
| Brazil | Cruzado | 43.70 | Korea (Nth.) | Won | 580.00 | Singapore | Singapore \$ | 2.151 |
| Brunei | Brunei \$ | 1.00 | Kuwait | Kuwait Dinar | 0.2735 | South Africa | Rand | 0.8119 |
| Bulgaria | Lev | 0.878 | Laos | Laos Pab. D. Rep. | 400.00 | Spain | Peseta | 66.95 |
| Burkina Faso | C.F.A. Franc | 204.535 | Latvia | Latvian Ruble | 0.119 | Switzerland | Swiss Franc | 1.6590 |
| Burundi | Burundi Franc | 90.00 | Lesotho | Lesotho Pula | 0.8119 | Taiwan | New Taiwan \$ (i) | 36.00 |
| Cameroon | C.F.A. Franc | 204.535 | Liberia | Liberian \$ | 1.00 | Tanzania | Tan. Shilling | 8.2896 |
| Canada | Canadian \$ | 1.1958 | Liechtenstein | Swiss Franc | 1.6335 | Thailand | Thai Baht | 20.60 |
| Canary Islands | Spanish Peseta | 66.95 | Luxembourg | Luc. Franc | 23.66 | Togo | C.F.A. Franc | 204.535 |
| Cape Verde | Cape V. Escudo | 0.885 | Macao | Macao Pataca | 5.31 | Tonga | Tonga Pa'anga | 0.9015 |
| Central Am. Rep. | C.F.A. Franc | 204.535 | Madagascar | Malagasy Franc | 4.7585 | Trinidad & Tob. | Trin. & Tob. \$ | 2.4065 |
| Chad | C.F.A. Franc | 204.535 | Malawi | Kwacha | 0.8037 | Tunisia | Tunisian Dinar | 0.3961 |
| Chile | Chilean Peso (i) | 50.00 | Maldives | Mal. Rupee | 5.30 | Turkey | Lira | 70.00 |
| China | Renminbi Yuan | 1.438 | Mali | Mali Franc | 406.07 | Turkmenistan | Manat | 1.00 |
| Colombia | Col. Peso (i) | 45.35 | Malta | Maltese Pound | 0.3442 | Uganda | Ug. Shilling | 7.3595 |
| Comoros | C.F.A. Franc | 204.535 | Martinique | Local Franc | 4.0907 | United Arab Emirs | U.A.E. Dirham | 3.742 |
| Congo (Brazzaville) | C.F.A. Franc | 204.535 | Mauritania | Ouguiya | 40.00 | United Kingdom | Starling | 2.2865 |
| Costa Rica | Costa Rican \$ | 5.37 | Mauritius | Mur. Rupee | 7.183 | Upper Volta | C.F.A. Franc | 204.535 |
| Cuba | Cuban Peso | 0.7235 | Mexico | Mexican Peso | 29.81 | Uruguay | Urug. Peso (i) | 8.45 |
| Cyprus | Cyprus Pound | 0.5889 | Micronesia | C.F.A. Franc | 204.535 | U.S.S.R. | Rouble | 0.654 |
| Czechoslovakia | Koruna (i) | 6.35 | Moldavia | Mold. Leu | 1.00 | Vatican | Italian Lira | 806.15 |
| Danish Rep. | Danish Krone | 6.435 | Monaco | Monaco Franc | 2.00 | Venezuela | Bolivar | 2.2857 |
| Denmark | Danish Krone | 6.435 | Morocco | Moroccan \$ | 2.7025 | Vietnam N. | Dong (i) | 2.15 |
| Dominican Rep. | Dominican \$ | 1.00 | Mozambique | Moz. Escudo | 30.881 | Virgin Islands U.S. | U.S. \$ | 1.00 |
| Dominican Rep. | Dominican \$ | 1.00 | Namibia | Nam. Dollar | 0.8119 | Western Samoa | Samoa Tala | 0.9111 |
| Ecuador | Guano | 27.20 | Nauru | Nauru \$ | 0.9015 | Yemen | Yemeni Rial | 4.57 |
| Egypt | Pound (i) | 0.6925 | Nepal | Nepal \$ | 1.00 | Yugoslavia | Dinar | 19.8561 |
| El Salvador | Colon | 2.50 | Netherlands | Dutch Guilder | 3.7603 | Zaire | Zaire Zaire | 2.0316 |
| Equatorial Guinea | Equatorial \$ | 66.95 | Netherlands Antilles | Antillian Guilder | 1.80 | Zambia | Kwacha | 0.7903 |
| Ethiopia | Birr (i) | 2.00 | New Hebrides | N.H. Franc | 66.107 | | | |
| Fiji | Fiji \$ | 5.435 | Nicaragua | Nicar. Cordoba | 1.00 | | | |
| Falkland Islands | Falkland \$ | 2.2805 | Niger Republic | C.F.A. Franc | 204.535 | | | |
| Fiji | Fiji \$ | 5.435 | Norway | Norw. Krone | 4.8715 | | | |
| Finland | Finnish Markka | 3.716 | Oman, Sultanate of | Rial Omani | 0.3456 | | | |
| France | French Franc | 6.5596 | Pakistan | Pak. Rupee | 9.81 | | | |
| French C. & I. Am. | C.F.A. Franc | 204.535 | Panama | Balboa | 1.00 | | | |
| French Guiana | Local Franc | 4.0907 | | | | | | |
| French Polynesia | C.F.P. Franc | 73.2955 | | | | | | |
| Gabon | C.F.A. Franc | 204.535 | | | | | | |
| Gambia | Dalasi | 1.754 | | | | | | |
| Germany (West) | Deutschmark | 1.746 | | | | | | |
| Ghana | Cedi | 2.70 | | | | | | |
| Gibraltar | Pound | 0.5015 | | | | | | |
| Greece | Drachma | 36.80 | | | | | | |

n.a. Not available. * U.S. dollars per National Currency unit. (i) Official rate. (C) Commercial rate. (F) Financial rate.

(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports.

(3) Egypt—A different rate applies to certain transactions with non-IMF countries.

BARLOW RAND LIMITED

Announcement of the results of Barlow Rand's offer to ordinary shareholders of G. G. Smith & Company Limited

Introduction On 18 December 1979 it was announced that agreement had been reached between the directors of Barlow Rand and C. G. Smith & Company Limited ("CGS") in terms of which, subject to the necessary consents being obtained as a general meeting of CGS shareholders, CGS would acquire the 55.4% of Nampak Limited ("Nampak") held by the Barlow Rand Group in exchange for the simultaneous allotment of 169,508 ordinary shares in CGS. This consent was obtained at a general meeting held on 1 February 1980.

In addition, CGS were to acquire sufficient shares in C. G. Smith Sugar Limited ("C. G. Sugar") to make C. G. Sugar a subsidiary. Barlow Rand subscribed for 7,683 ordinary shares in CGS at R50 per share so as to provide CGS with the funds required to purchase an additional 489,559 ordinary shares in C. G. Sugar thereby making C. G. Sugar a subsidiary of CGS.

Offer by Barlow Rand to the shareholders of CGS other than C. G. Sugar In terms of the agreement between Barlow Rand and CGS, Barlow Rand made an offer dated 1 February 1980 ("the offer") to acquire any of the issued ordinary shares in CGS (other than those held by C. G. Sugar) that shareholders wished to dispose of on the following terms:

For every 1 CGS ordinary share held shareholders were offered R32.20 in cash plus the allotment, credited as fully paid, of 43 ordinary shares in Barlow Rand.

Barlow Rand acquired 78,579 ordinary shares and in respect thereof will pay R25.4m and will issue 3,378,897 ordinary shares.

Barlow Rand will hold 64.8% of the equity and 84.0% of the voting equity of CGS.

A full circular on the effects of the transaction will be posted to shareholders in due course.

Standard Merchant Bank Limited
(Incorporated in South Africa)
22 February 1980

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THE PROPERTY MARKET BY ANDREW TAYLOR

Whitechapel shops scheme

AN OUTLINE planning application for a major retail and office development, over and behind Whitechapel tube station in London's East End, is expected to be presented to Tower Hamlets Borough Council in the next few weeks.

The application will come from Sam Chippindale, the man who, with Town and City Properties, developed the concept of the Arndale covered regional shopping complexes, of which there are now more than 20 around the country.

Tower Hamlets has approached Mr. Chippindale, now running his own company—Sam Chippindale Development Services—to see if he can do a similar job for them.

The scheme, drawn up by architects Trime and Wakenham, provides for an 800,000 sq ft shopping complex with plans for three department stores of around 125,000 sq ft apiece, plus seven other major stores of between 30,000 sq ft and 40,000 sq ft each.

In addition there are plans for 300,000 sq ft of offices, the development of several public houses and restaurants plus the redevelopment of the tube station entrance.

If all these plans come to fruition then the cost of the scheme, at current prices, can be expected to be in the region of at least £50m. Michael Laurie has been appointed agents to the scheme.

Mr. Chippindale was in London this week but declined to reveal details of where the fin-

ance for the development is to come from. However at this stage it would seem unlikely that Taylor Woodrow—which has partnered Chippindale Development Services in a number of ventures over the past two years—would be involved.

Taylor Woodrow has submitted its own plans—in partnership with George Wimpey—for a major retail development to the east of London: on the key 120 acre Southwark site in Surrey Docks.

Moreover relations between the two companies appear to have become more strained of late, and negotiations aimed at establishing a joint development company have not been progressing smoothly.

There is now some doubt as to whether a joint company will be established. Joint ventures in which Taylor Woodrow and Chippindale are currently involved include: a proposed shopping centre in Leicester as well as retail developments in Rotherham and Portsmouth.

It seems likely that Mr. Chippindale will be hoping to attract financial backing from major investment institutions for the Whitechapel development.

A major retail development at Whitechapel could provide competition for the plans presently being considered by the Greater London Council and Southwark Borough Council for the redevelopment of the Southwark site in Surrey Docks.

Some 15 proposals have been submitted to the local authorities, joint owners of the site.

Most of the schemes—any one of which could cost several hundred million pounds—contain provisions for a substantial retail development.

The success of any major retail scheme in Surrey Docks, however, would appear to depend heavily on adequate access across the Thames to the north bank—where there is a marked shortage of major shopping facilities to meet the demands of a large population. It is this market that the Whitechapel development, if it succeeds, will serve.

There is certainly increasing interest being shown in potential retail developments to the east of London.

On top of the schemes proposed for Whitechapel and the Surrey Docks, Associated Dairies Group (Asda) is thought to be looking at several possible sites east of London, including at Beckton, north of the Royal Docks.

Cooler on air conditioning

TAKERS OF office space in central London may in future become more selective about the need for air-conditioning, according to agents Smith, Melzak, which is advising its clients to install air-conditioning only where absolutely necessary.

The agents say that sharply rising fuel prices have led air conditioning costs in London's West End to double since 1976, to almost £2 a sq ft.

Man from the Pru takes CBI offices

THE MAN from the Pru last night emerged as the successful purchaser of the Confederation of British Industry headquarters in Tothill Street near Parliament Square.

Prudential Assurance has agreed to pay a premium of £4m plus a minimum annual rental of £150,000 for a 125-year lease on the building, which is to be substantially refurbished.

The CBI is to move its headquarters to Centre Point—where it has agreed to pay a rent of £55,000 a sq ft for 100,000 sq ft of offices on 15 floors—but is to retain the freehold of the Tothill Street offices.

Under the terms of the agreement with the Pru the CBI will get a percentage of the rent paid by the eventual occupier of Tothill Street—with a guaranteed minimum rent of £150,000 a year paid to the CBI.

It is this percentage figure which provides the key to the successful tender from the Pru, but what proportion of the eventual rent the CBI is to get, nobody is saying.

But the tender competition arranged by agents Jones Lang Wootton on behalf of the CBI was strongly contested, and the eventual return to the Confederation can be expected to be significantly higher than the minimum agreed rent—given present rental trends in the Westminster area.

The cost of refurbishing the Tothill Street offices—which is likely to take two years—is estimated to be around £5m at current prices. This compares with £3m, or so, the CBI is understood to be spending on preparing its new offices in Centre Point.

Demand for central London offices remains strong and rental levels for good, well-located refurbished office premises in the Westminster area are presently between £14 and £15 a square foot.

This is not far short of the price now being asked for the remaining offices in Centre Point—thought to be around £13.50 a square foot. This compares with the £8 a square foot the CBI is thought to have agreed a year ago. The CBI is expected to move into its new offices sometime around July this year.

The move was prompted by the need to carry out extensive refurbishment of the Tothill Street offices and the high cost of finding alternative, modern accommodation in the surrounding area.

The CBI has occupied the offices for many years. Previously it had been the headquarters of the Federation of British Industry which took up residence before the last war.

Higher lending rate hits U.S. market

HIGH INTEREST rates are putting a heavy burden on commercial property development in the U.S. according to Mr. Bowen McCoy, president of Morgan Stanley Realty.

Mr. McCoy told pension fund managers at the National Association of Pension Funds investment conference in Eastbourne that the system of financing new development was under great strain.

U.S. property developments are traditionally financed by long-term mortgages of up to 30 years at fixed rates of interest around 10 per cent. However, inflation is now a fact of life in the U.S. prime rate is 15½ per cent and yields on two-year government bonds are 14 per cent. The institutions, therefore, are seriously evaluating their position.

Mr. McCoy said that the long-

term mortgage market had not dried up but had shrunk drastically since last October. There was considerable discussion of shortening terms and renegotiating interest rates. Nevertheless, the mortgage market would recover and remain a major factor in real estate finance, because of the huge level of funds flowing through U.S. institutions.

However Mr. McCoy said that the life of mortgages could become shorter. They were likely to settle at 15 years maturity rather than the traditional 25 to 30 years.

But underlying market conditions for property are very healthy at present, said Mr. McCoy. "There has been a massive catch-up in rentals since 1977 but rents are still low, by comparison with replacement costs."

John Lewis for Kingston

JOHN LEWIS PARTNERSHIP, the department store group, looks to be winning the battle to decide who will develop the 4-acre Horseshoe site at Kingston-upon-Thames.

Leaders of Kingston Borough Council have clearly indicated that they favour the scheme put forward by John Lewis—one of two groups actively seeking to develop the town centre site. Dixon's Photographic, together with Debenhams, has also submitted an outline planning ap-

plication for the Horseshoe site. So far only outline approval has been given for the John Lewis scheme, which provides for a 320,000 sq ft department store.

However, Mr. John Ashbourne, chief executive of the council, said this week: "The outline financial offers have been considered by the council and on the basis of these they have instructed their officers to enter into detailed negotiations, with a view to reaching agreement with the John Lewis Partnership."

IN BRIEF

● A £10m scheme by Stonechester, the Bristol-based developer, for a major shopping development on the remaining three acre site at Armada Way, Plymouth has been chosen from a short-list of four by the policy committee of the local city council.

The scheme which includes a 45,000 sq ft store for J. Sainsbury and a 160 bedroom hotel to be operated by Hilton International is to be recommended at a full council meeting on March 3. Joint agents Hartnell Taylor Cook and Healey and Baker say there is considerable interest from leading multiple retailers for the remaining shop units.

● Agents Jones Lang Wootton have been appointed by the Royal County of Berkshire to find a tenant for the entire second floor of the new county council headquarters at Shindfield Park Reading. A rental of £12 a sq ft is being asked for the 80,000 sq ft of offices.

● Legal and General Assurance has let 58,000 sq ft of air-conditioned offices at 27-28 Finsbury Square, London, EC2, to Merrill Lynch. An annual rental of £273,000 has been agreed which works out at £11.50 per sq ft. The lease is to run for 21 years with five year reviews. Smith Melzak and Jones Lang Wootton acted for Legal and General. Matthews Goodman and Postlethwaite acted for Merrill Lynch.

INDUSTRIAL

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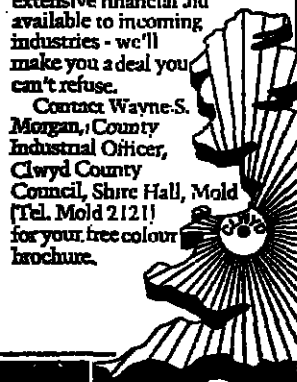
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Why is CLWYD ten times more interesting?

"Enquiries about industrial and commercial expansion in Clwyd have increased ten-fold over the last two years. Why? Because with its full Development Area status, its large, multi-skilled workforce, proximity to major markets and national/international communications networks, this progressive Welsh county dominates the regional development scene. The news in Clwyd is about sales, not strikes—and it's a great place to live too."

Talk to us about the low-cost sites, the factories and the extensive financial aid available to incoming industries—we'll make you a deal you can't refuse.

Connac Wayne S. Morgan, County Industrial Officer, Clwyd County Council, Shire Hall, Mold (Tel. Mold 2121) for your free colour brochure.



CHANGING POINTS??

Only five hundred yards from this station Fifty Six Thousand square feet of offices will be built on a prominent freehold site with air conditioning and in situ car parking.

Outline planning consent has been obtained and a building start could be made by June this year with completion in early 1982.

Consequently an opportunity is afforded to a substantial Company wishing to lease an excellently located H.Q. building.

Readiness to enter into an early commitment will be met with attractive leasing terms.

The rent will be a single figure one. Individual requirements might be incorporated in the design at this stage.

Would interested parties seeking such offices or agents retained by them apply to the Owners' Agent's box number whereupon details of this project will be forwarded to them.

BOX NUMBER T5207

Financial Times 10 Cannon Street London EC4

K for Industry

BEDFORD

58,650-269,600 sq. ft. Modern Warehouse Units High Specification Lease for Sale/To Let

EAST LONDON

New refurbished Factory/Warehouse 9,000 sq. ft. + Yard To Let

EDMONTON N18

24,000 sq. ft. Warehouse To Let

GUILDFORD

Factory 7,400 sq. ft. Factory/Warehouse Units To Be Built

POTTERS BAR

Warehouse Premises 12,242 sq. ft. Lease For Sale

SWANLEY

New Warehouse/Factory Units To Be Built From 8,400 sq. ft. TO LET

TAUNTON

4,350-21,750 sq. ft. Factory/Warehouse Units To Be Built

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15,200 sq. ft. For Sale Freehold Mixed User Premises

King & Co

Chartered Surveyors

1 Snow Hill, London, EC1

01-236 3000 Telex 885485

Birmingham - Leeds - Manchester - Brussels

The Royal Liver Building LIVERPOOL



SUPERBLY REFURBISHED

OFFICES

195,000 sq. ft.

30,000 sq. ft.

per floor

Smaller units are available

TO LET

Available for early occupation. Full details and colour brochure available from the Sole Joint Letting Agents:



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AVAILABLE IN CENTRAL SCOTLAND

Properties totalling 22 acres, 9 acres which have Commercial/Industrial Planning consent, a further 6 acres are zoned for house building, included are 6 houses (one luxury) and a large complex of buildings. OFFERS AROUND £0.75m

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LIGHT INDUSTRIAL UNITS FOR SALE

3,000/15,000 sq. ft. Peckham, London, SE15. Apply 01-493 1613

AUCTION FREEHOLD AND LONG LEASEHOLD COMMERCIAL INVESTMENTS

(unless previously sold privately)

3.00 PM THURSDAY 13th MARCH 1980

AT THE LONDON AUCTION MART

For Trade House, 25 Little Trinity Lane, EC4

LOT 1 341/349 (odd) Milton Road, Colpland, Hampshire Producing £4,600 pa excl. gross
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With valuable reviews and reversions from 1980 onwards
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FINCHLEY N12

Air-Conditioned Offices TO LET

approx 11,500-34,500 sq.ft.

Only £2.95 per sq.ft. (without premium)

PEPPER ANGLISS & YARWOOD
Tel: 01-499 6066

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INDUSTRIAL AND COMMERCIAL PROPERTY APPEARS EVERY FRIDAY

SWANLEY, KENT**TO LET**

Distribution Centre of approx. 24,775 sq. ft. incorporating Prestige Offices and with $\frac{1}{2}$ acre of Lorry Parking

Situated at one of the most strategic locations in south-east England at the junction of the M20/M25

READY SUMMER 1980

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01-2486047

A Development by Abbey Property Fund

Finsbury Pavement MOORGATE London EC2

Prestige air-conditioned entire office building to be let approx. 39,000 sq. ft.

High quality fixtures and fittings installed including carpeting throughout, PABX 3 telephone system and stand-by generator. 10 car parking spaces available. For further information apply to Sole Agents:

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Prestige 60,000 sq ft factory ready for occupation in Spring 1980. Alternative retail use subject to planning consent.

for brochure contact
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Close junction A13 & Dartford Tunnel (M25)

Contractor's Plant Depot & Development Site

Modern Single Storey Complex

56,000 sq ft on 15.25 acre site

Two Gantry cranes-800 ft run

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HIGH STREET, CHISLEHURST, KENT.
LONDON BOROUGH OF BROMLEY

Finished to high standard

20,550 sq. ft. net

or will be let to Single Floors, Ls, 9,183 sq. ft. and 11,447 sq. ft.
CURRENTLY UNDER CONSTRUCTION READY FOR OCCUPATION JULY, 1980

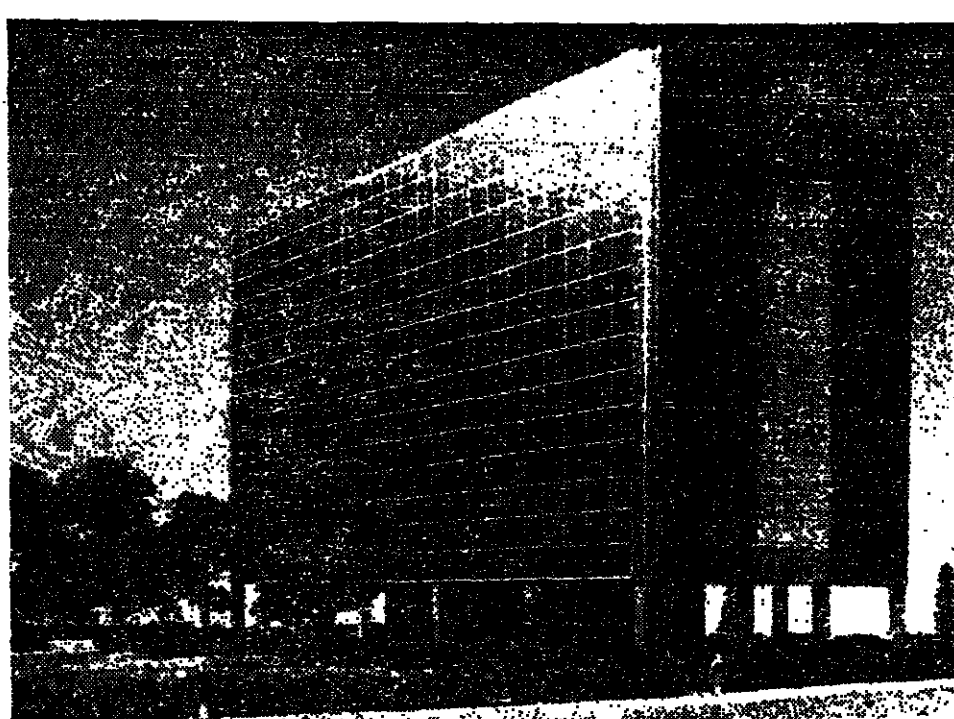
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New Air Conditioned Office Building.
with Telephone System
Adjacent Underground Station

52,560 sq. ft. TO LET

Completion mid 1980. Substantial on-site Car Parking.

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FREEHOLD REVERSIONARY SHOP INVESTMENT FOR SALE

● **WESTON-SUPER-MARE**
High St/Regent St

Initial income £9050 pa with substantial increases in 1981.

Tenants include Foster Brothers, Dorothy Perkins, Combined English Stores and Granada.

Price £875,000 subject to contract.



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WEST END OF LONDON AREA

SMALL FREEHOLD COMMERCIAL BUILDING FOR SALE

with

VACANT POSSESSION OFFICE PREMISES

1st, 2nd and 3rd floor consisting approximately of 800 sq. ft. fully modernised and carpeted including two toilets. Subject to Ground floor and basements tenancy of a Restaurant, 21 years Lease expiring in 1989. Present net rent £3,250.00 per annum, next review 1982.

PRICE: £125,000

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A PRESTIGE TOWN CENTRE OFFICE BUILDING

Approx 20,000 sq ft net.

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**50,000 sq. ft. OFFICES
TO LET**

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A Development by PERMANENT HOUSES (HOLDINGS) LIMITED and TARMAC NATIONAL CONSTRUCTION
in association with BRITISH RAIL PROPERTY BOARD

To be let in ABERDEEN
Guild House, a prestige
office building in a central
location. Approx 106,000 sq. ft
Parking for 180 cars.

Possession 1982.

For brochure and further details apply



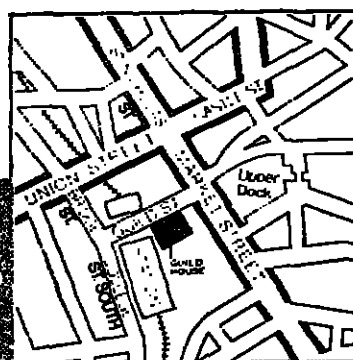
Stephen Melville and Partners

1 Vere Street, London, W1. 01-493 1345



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HEAD OFFICE: 71 Hanover Street, Edinburgh EH2 1EF. 031-225 6612



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Director of Industrial Development,
Kingston upon Hull City Council,
77 Lowgate, Hull. Tel: (0482) 222626



WAREHOUSING/LIGHT INDUSTRIAL EASTLEIGH, Nr. SOUTHAMPTON

2,500 sq. ft.—109,000 sq. ft. 8 UNITS

* From £1.20 per sq. ft.

* Immediate Occupation

* Eaves—Min. 16 ft. Max. 26 ft.

TO LET

Estate Agents

WH LEE

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This shopping center is located 45 miles South of Miami, Florida, on Federal Highway #1 in Homestead, one of the fastest growing areas in South Florida. The shopping center is situated on 5 acres of land and contains approximately 7,900 square meters of rentable space. Property yields 8% net based on an investment of US \$2.2 million cash over mortgage.

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**2 x 7,000 sq. ft.
NEW FACTORY/WAREHOUSE UNITS**

TO BE LET

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By Direction of the Trustees of Sutton Coldfield Municipal Charities and Others

BLAKE STREET, SUTTON COLDFIELD

WEST MIDLANDS

Exceptionally Valuable Freehold

RESIDENTIAL BUILDING LAND

Extending to about

40.62 ACRES

to be offered

FOR SALE BY AUCTION

on THURSDAY, 6th MARCH 1980, at 2.30 p.m.

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Gibson
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01-492 0954

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Long-established U.S. builder now building large, successful developments in S.W. Miami, in prestigious Kendall Lakes area, will sell land or build for qualified investors and deliver a completed section of 100 or more condominium units ready for occupancy. Investors to do their own pricing and selling. Excellent return on this investment. Write or phone owner: Mr. Irving Berger, P.O. Box 430933, Miami, Florida 33143, U.S.A. (Telephone 305-279-9797).

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We have choice properties available in growth areas. Enjoy foreign tax advantages.

£200,000 minimum investment required.

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Our London Representative
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Continued on previous page

FINANCE, LAND—Continued[illegible]

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| 155 | 78c | Anglo-Dominion | 142 | +6 | — | — | — | — | — |
| 95 | 54 | Barrymin | 95 | — | — | — | — | — | — |
| 141 | — | Burns Mines 175c | 142 | — | — | — | — | — | — |
| 502 | 170 | Cons. Murch. 10c | 450 | — | — | Q100c | ¢ | — | — |
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| 280 | 7-7 | Rosemont | 452 | +22 | 121.5 | 3.4 | — | — | — |
| 31 | 32 | Rupert Mines | 23 | — | — | — | — | — | — |
| 65 | 26 | Sabina Inds. C51 | 46 | — | — | — | — | — | — |
| 880 | 470 | Tara Expts. 51 | 620 | — | 23 | — | — | — | — |

NOTES

Unless otherwise indicated, prices and net dividends are in cents and denominations are 25s. Estimated percentages relative to the average are based on listed and non-listed securities and, where possible, are updated on half-yearly figures. P/E's are calculated on "net" distribution basis, earnings per share being computed profit after taxation and unretained EAT's being equalized. Imputed figures indicate 10 per cent or more difference calculated on "net" distribution. Gains are based on "imputed" distribution; this compares gross dividend costs to profit. Taxation, excluding capital gains, is assumed to be 30 per cent. Dividend yields are based on EAT. Yields are based on net, as given, are, adjusted to EAT of 50 per cent and allow for a

- **Two Stock.**
- **Highs and Lows** marked that have been adjusted to allow for **minor issues** for each.
- † **Interest** since increased or resumed.
- ‡ **Interest** since reduced, paused or deferred.
- ✱ **Tax-free** to non-resident on application.
- ✧ **Figures** or report awaited.
- †† **Unlisted** security.
- ††† **Price** at limit of suspension.
- ‡‡ **Indicated** dividend after paying scrip and/or rights issue: relates to previous dividends or forecasts.
- ‡‡‡ **Merger** bid or reorganization in progress.

- * Not comparable.
- * Same Income: reduced final and/or reduced earnings indicated.
- * Forecast dividend, cover on earnings, updated by latest information statement.
- * Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividend.
- * Cover does not allow for shares which may also rank for dividend in a future date. No P/E ratio usually provided.
- * Excluding a final dividend declaration.
- * Removal price.

94 Yield based on assumption Treasury Bill Rate stays unchanged.
 majority of stock. b Figures based on prospectus or
 official estimate. c Cents. d Dividend rate paid or payable on per
 capital, cover based on dividend on full capital. e Redemption
 f Flat yield. g Assumed dividend and yield. h Assumed dividend
 yield after scrip issue. i Payment from capital sources. j K
 m Interim higher than previous total. n Rights issue pen
 o Earnings based on preliminary figures. p Dividend and yield cen

^a A special payment. ^b Indicated dividend: cover returns to zero; dividend, P/E ratio based on latest annual earnings. ^c Forward dividend: Cover based on previous year's earnings. ^d Tax free 30p in the £ = Yield allows for currency clause. ^e Dividend and yield based on merger terms. ^f Dividend and yield include a special payment. ^g Cover does not apply to special payment. ^h Net dividend and yield. ⁱ Preference dividend passed or deferred. ^j Canadian. ^k Minimal lender price. ^l Dividend and yield based on prospectus; or other official estimates for 1979-80. ^m Assumed dividend and yield after past scrips and/or rights issue. ⁿ Dividend and yield based on prospectus; or other official estimates for 1979-80. ^o Figures based on prospectus; or other official estimates for 1979-80. ^p Dividend and yield based on prospectus; or other official estimates for 1979-80.

prospectus or other official estimates for 1980. H Dividend and
 based on prospectus or other official estimates for 1979. P FY
 based on prospectus or other official estimates for 1978-79. G G
 T Figures assumed. Z Dividend total to date.

Abbreviations: xl ex dividend; xs ex scrip issue; xr ex rights; z
 alt; xR ex capital distribution.

"Recent Issues" and "Rights" Page 28

**This service is available to every Company dealt in on S
Exchanges throughout the United Kingdom for a fee of
per annum for each security**

REGIONAL MARKETS

The following is a selection of London quotations of shares previously only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | | |
|-----------------|----|-----|-------|
| Albany Inv. 20p | 25 | --- | IRISH |
|-----------------|----|-----|-------|

| | | | |
|-------------------|---------|----|-----------------|
| Bertram | 18 | | |
| Bayview, Est. 50p | 325 | -3 | Conv. 9% 70/82 |
| Bell | 10 | | 1285 1/2 + |
| Clover Croft | 60 | | Nat. 9% 84/99 |
| Craig & Rose | 211 1/2 | | 172 1/2 |
| Dyson (R. A.) A | 15 | | Flr. 13% 97/02 |
| Edwards | 35 | | 587 1/2 |
| Fife Forge | 15 | | Alliance Gas |
| Finlay Prop. Sp. | 19 | | 85 |
| Grang Shipb. | 115 | | Armo |
| | | | 350 |
| | | | Carroll (P. J.) |
| | | | 53 |
| | | | Clondalton |
| | | | 185 |

| | | | |
|-------------------|------|-----------------|-----|
| Hopkins Bros. | 58 | Concrete Prods. | 45 |
| Holt (Joan) 25a | 255 | Heston (Hildge) | 35 |
| I.O.M. Str. E.I. | 158a | Inc. Corp. | 200 |
| Pearce (C. H.) | 395 | Irish Ropes | 55 |
| Peel Mills | 37 | Jacob | 150 |
| Sheff. Refreshm't | 98 | T.M.G. | 38 |
| Sandall (Wm.) | 265 | Unicore | 65 |

| OPTIONS | |
|--------------------|----------|
| 3-month Call Rates | |
| Underlying | 1.25 |
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| A. Brew | | Woolworth's | 65 |
| BOC Intl. | | Property | |
| B.S.R. | | Woolworth's | |
| Babcock | | Interest | 15 |
| Barclays Bank | | Lakeview | 14 |
| Beecham | | Legal & Gen. | 18 |
| Globe Circle | | Lex Service | 19 |
| | | Joyce Bank | 20 |

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| Books | London Brick | MEPC |
| Sewerage | Lucas Inds. | Peachey |
| R.A.T. | Milner | Samuel Prop. |
| Brown (J.) | Mills & Spoor | Town & City |
| Burton 'A' | Mixed Brick | |
| Cardbus | N.E.I. | |
| Carroll's | Nat. West. Bank | |
| Debenham | N.L.C. Club | |

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| DeScher's | 22 | Pist's | 16 | Chs-Terhish |
| Dunlop | 21 | Plessey | 16 | OGA |
| Eagle Star | 20 | Racal Elect. | 29 | Promier |
| F.N.F.C. | 17 | R.N.M. | 48 | Shell |
| Gen. Accident | 21 | Rank Org. | 28 | Tricentral |
| Gen. Electric | 30 | Reed Intnl. | 17 | Ultramar |
| Gleco | 49 | Sears | 52 | |
| Grand Met. | 13 | Tesco | 7 | |

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| G.U.S. "A" | 30 | Thorn | 25 | leaves |
| Garbion | 23 | Trust Houses | 14 | Charter Cons. |
| G.K.M. | 22 | Tube Invest. | 27 | Cons. Gold |
| Hawker Sidd | 16 | Unicover | 40 | Lanoro |
| House of Fraser | 12 | U.D.T. | 4 | Rio T. Zinc |

A selection of Options traded is given on the London Stock Exchange page 2000

1. *Chlorophyll a* (Chl *a*)

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